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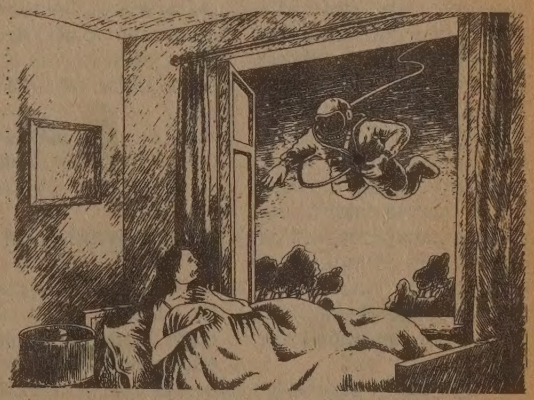

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Orchards of bliss

Our presidents make a mistake by putting off the solution of society's family problems and dissipating public efforts on political twaddling. Why not establish the following order in the country: a young family is provided with a sewing and washing machines, a refrigerator, and granted a loan for the building of a house.

Since the elders were not fated to build their homes let the young couples begin to do that. I wish the obstinate could overcome city-life mania just as they overcame measles in their childhood. I am sure that most people would move to places closer to nature where they could grow orchards and bring up children with a noble soul and an open heart.

Y.Petrov
Djambul Region

Has-beens in office

The President's representative has recommended our Soviet to elect as head of the administration a man who had earlier been removed from the post of collective-farm chairman for hard drinking. The man has many other "merits." At one time he abolished kitchen gardens, banned fishing and closed a fur farm. During the coup last August he said: "Let us wait for instructions from above." He is apparently waiting for instructions now, already in the capacity of head of the administration.

What kind of people are carrying out *perestroika* in our region? They have prospered at all times – under the old and under the new systems. These people will try to keep their privileges and will not allow any substantial changes. They will merely prate and turn things upside-down.

V.Kanev
Arkhangelsk Region

Latvian's plea

I am a citizen of a foreign state, the independent Republic of Latvia. In that state I violated the law and was convicted, but I am staying on the territory of Russia. My forcible imprisonment on the territory of the former USSR, in contempt of the interior minister's order on the extradition of Balts to their countries, means a violation of the Constitution.

No country in the world exploits the slave labour of unlawfully detained foreigners. Help me return to my homeland.

Vladimir Bychkov
Perm Region

Let them stay here

I wish Jews did not leave Russia. All the Jews I know are clever, educated, cultured, hard-working people. It's easy to live and work with them. Therefore, they should not be driven out of Russia but should be persuaded to stay here. Let them work for the good of our country, rather than Israel.

G.Stepanova, pensioner
Nakhodka

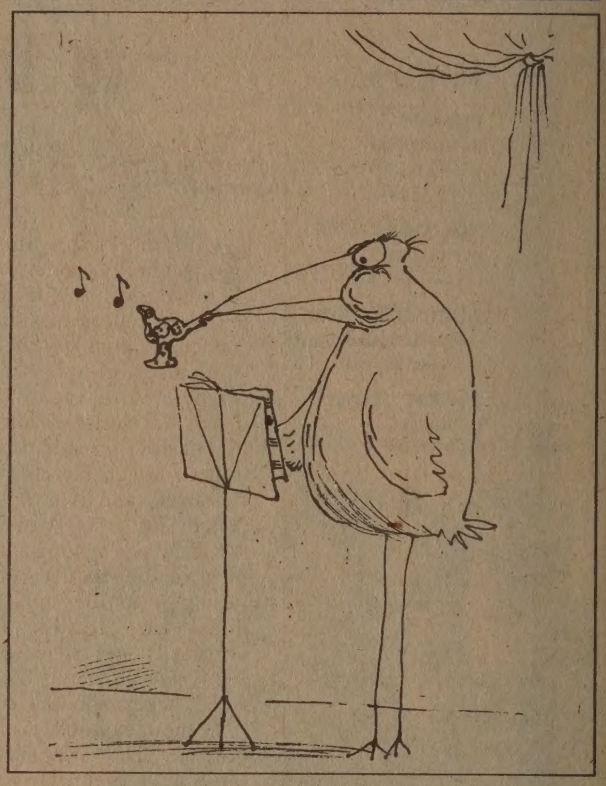
Ten commandments

Tsara, the newspaper of the Popular Front of Moldova (former Moldavia), has published "Ten commandments of a Romanian," which gives a clear idea of how Russians live in that republic. One of the commandments says in particular: "Don't be in a hurry to link your destiny with a man (or woman) of a different nationality. The cross-breeding improves only the breed of animals and does harm to the human species. If you formed a family with a man (or woman) of a different nationality do your best so that the Romanian spirit prevails in it."

Thus, nationalist, instead of communist, pressure has appeared in our independent state.

A.Magedansky
Moldova

THE WAY I SEE IT



Drawing by Victor Bogorad

Unfounded claims

The present Russian-Finnish border was established by the Paris peace treaty of 1947. It was signed by the Soviet Union, Finland and nine other countries which had been at war with the latter. Finland voluntarily allied with fascist Germany and fully supported its aims in the war. Therefore, it had to comply with the terms of the postwar arrangement worked out by the United Nations.

Paasikivi concluded that both countries (Russia and Finland) had made mistakes. He called on Moscow to let bygones be bygones, and this was done, as evidenced by the experience of our relations over the past decades. There is no territorial problem between our two countries. This has been repeatedly stressed by Finnish leaders in connection with the attempts of some circles (rather small) to lay territorial claims against our state.

Vladimir Petrov (pseudonym)
Moscow

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Turks from the Adriatics to the Great Chinese Wall are a threat to Russia

Turkish Prime Minister Suleiman Demirel seems ready to accept the invitation to directly interfere into the Transcaucasian conflict, which the Armenian gunners shelling Nakhichevan address to him with surprising persistency. However, one can understand them: the scale of local operations is too narrow already for the Karabakh tragedy which has acquired a hopeless character, and it is not ruled out that certain forces in Armenia believe that it will be easier to channel the development of the conflict to their advantage, raising it to the status of an international one: Turkish interference will eventually provoke interference of pro-Armenian forces in the West who will stop Turkey and the conflict itself.

In the meantime, Ankara has its own devices. The Pan-Turkic rhetoric of Suleiman Demirel speaking about Turks who inhabit the expanses from the Great Chinese Wall to the Adriatics has successfully supplemented and tempered Turkish President Ozal's policy of integrating the country into Western civilization. So far this policy has lacked reciprocity, especially in Western Europe. Turkey is a full-fledged NATO member, yet its full membership in European communities remains closed to it. The pretexts for this are the same as before – the occupation of the North of Cyprus, continual raids against Kurd settlements, remnants of the military-dictatorial regime in law and politics. The Middle East events failed to amend the situation – Western capitals did not duly appreciate Ankara's unyielding anti-Iranian and, later, anti-Iraqi policy. This means that Turgut Ozal's attempts to adjust Turkish peculiar ways to the standards of its Western partners turned out to be ineffective.

Turkish political old-timer Suleiman Demirel who defeated Ozal's party at the elections seems convinced that the West, as centuries ago, will be more impressed by a Turkish threat than by Turkish submissiveness. The threat consists in creating a vast sphere of influence embracing the former USSR's Moslem regions by a country which, as mentioned earlier, is rather poorly integrated into the Western alliance.

An interference in the Armenian-Azerbaijani conflict could demonstrate that Turkey is ready to support its friends not only by words. This readiness may come in handy now that Russia's defence independence, perceived in the south as a threat from the north, is finally taking shape. The Americans were the first to receive Demirel's signal and, according to the British *Guardian*, prominent officials from the US Department of State and Ministry of Defence have already started criticizing their West European colleagues for neglecting Turkey and insist on its immediate integration as a full member in all European institutions, including the West European alliance.

Meanwhile, another alliance, that of Russia and Turkey, which was nearly formed by Turgut Ozal and Boris Yeltsin at the time of the latter's most pronounced opposition to Mikhail Gorbachev, has fallen apart. Then, in January 1991, Ankara was the first to extend a 500 million dollars' worth commodity credit directly to the Russian government.

Now Ankara challenges Russia in the struggle for influence in the former USSR, not only cultivating Moslem republics, but also planning to create, for instance, a Black Sea "community" involving Ukraine and Georgia.

Vladimir Kulistikov

Is Central Asia to be a Middle East?

Islamic revolution sweeps Central Asia

Reproduced from L'Express (France)

Though the meeting of the leaders from eight CIS states showed that in principle they cannot dispense with Russia, they find it better to settle problems within their own Moslem group

Nowadays a range of totally novel factors affect Russia's policy vis-à-vis the Middle East. To a considerable degree they have changed not only the priorities, but also all components of Moscow's foreign policy in respect of this region. What I mean is the role of the "immediate abroad" implying the Central Asian and Caucasian states. At this present time one may definitely maintain that Central Asia and the Transcaucasia are developing into a specific sector of the Near and Middle East. Consequently these states will be subject to all the storms and contradictions sweeping this explosive area.

Two claimants

In the erstwhile "Soviet (or Russian, if you please) empire" Central Asia and the Caucasus were allotted *a priori* the role of "colonies." Having now broken out of the clutches of Moscow's "fraternal embrace," these newly independent states crave to "distance" themselves in every conceivable way from Russia, both to assert themselves and to legitimize the political elites now in power.

Here nationalism or Islam present the foundation for such "detachment," insofar as the self-identification of these new states may be accomplished thereby. This is exactly where new knots of contradictions will be tied and a new type of relations develop between North and South, both generally and in the erstwhile USSR in particular.

With the exception of Georgia, Armenia and Tajikistan, the nationalism may be only of a Turkic order. Consequently, the Turkish Republic as the one and only independent and secular Turkic state represents the source of inspiration. In recent years it has gained definite successes in both the economic field and the democratization of society. The "distancing" from Russia will inevitably imply "gravitation" towards Turkey. It is idealized in the Central Asian region and in Azerbaijan, to wit the Turkic-speaking states and its influence there is growing. The summits between Turkish and Turkic (ex-Soviet) leaders along with the exchange of embassies and consulates, TV programmes and college students, all serve to pave the way for closer relationships and for the restoration of the historically established ties that Soviet power ruptured.

Again as before the October 1917 coup, Turkey is competing with Russia in Central Asia and the Caucasus. But not only. It is also competing in the region perhaps not so much with Russia, as with Shiite fundamentalist Iran that is hostile towards the West, especially the USA. Indeed, distinctly looming behind the secular pro-Western NATO member of Turkey are US interests spearheaded likewise not so much against Russia, as against Iran.

Admission of all the Asian states of the disintegrated Soviet Union to the European Conference on Security and Cooperation represents a signal diplomatic victory for Ankara. Thereby these states are integrating into the all-European process, assuming, at least *pro forma*, commitments as regards human rights, democratization and arms export control. Like Turkey, they are currently obliged to observe the Western accepted "rules of the game," and as far as one can judge, they are quite happy with these "rules."

The former USSR's three Islamic republics of Azerbaijan, Uzbekistan and Turkmenia have joined the Organization of Economic Cooperation (OEC), a regional association established in the 1960s and of which Iran, Pakistan and Turkey are members. Subsequently Kazakhstan and Kyrghyzstan may also join. Though thus far the OEC is a largely symbolical association, Ankara and Teheran view it quite differently.

Iran stands forth as the second claimant to the Soviet legacy in Central Asia and the Transcaucasia. This Islamic republic has a geopolitical edge over Turkey, and adroitly plays on religious and ethnic factors. Having failed in attempts to export their Islamic revolution to Arab countries, the Iranian leadership hopes to recoup the losses in the former Soviet Moslem republics. In all likelihood the fiery preaching of anti-Western (and anti-Russian) Islamism will rally a following amongst the Shiites of Azerbaijan and Central Asia. Iran's ethnic, linguistic and geographical proximity to Tajikistan might pave the way for cooperation.

Nevertheless, notwithstanding its intensive political activity, Teheran is losing out to Ankara. Iran's own theocratic political model of social organization failed to successfully cope with economic and social problems. Moreover, Azerbaijanians feel themselves more Turkic than Shiite. Their linguistic and ethnic kinship impels them more towards Ankara than to Teheran, while the unequal footing that Azerbaijanians enjoy in Iran itself induces them to question the sincerity of Iranian assurances of support for Azerbaijanian independence. Though the Tajiks share an affinity with the Persian-speaking Iranians, they too are for the most part Sunnites. The fundamental Islamism gaining ground in Tajikistan, as in other Central Asian republics, is, as a rule, Sunnite and its adepts have powerful "sponsors" in the person of Saudi Arabia and Pakistan who view Khomeini Iran with great suspicion.

Equal footing

However much Russia and the Caucasian and Central Asian regions may "repel" one another currently, the centuries of "closer relationships" should produce an effect in already the not so distant future. Neither Turkey, nor Iran can engulf the region's exports, be this oil, gas, cotton, fabrics, vegetables or fruit. Then the transport links the Caucasus and Central Asia have are geared to Europe and it will hence take many years if not decades to build up a new infrastructure oriented on the Near and Middle East.

Take Algeria with its fine export resources in the form of oil and gas which the West so desperately needs. Though it spent some 30 years trying to "get away" from France, today it is re-establishing cooperation with the former metropolitan country. It is economic laws that dictate the political rules of the game. Hence it would be naive at least to expect that other rules would play on the ruins of the "Soviet empire."

Though one could talk at length about the absurdity of the communist socio-political model and "Russian domination," after all said and done, there is no getting away from the facts which demonstrate that the literacy levels in the erstwhile Soviet republics are higher than in Turkey and Iran, and that the proportion of college students per one thousand of the population is also higher. For that

matter right up to the early 1970s living standards were also higher. So scarcely will the Uzbeks or Azerbaijanians want to become as the "younger brothers" of the Turks. In the first place their own national pride cries out against that.

Further the leaders of the Central Asian republics and Azerbaijan are obliged to take serious stock of the Russophones living on their respective territories. Indeed, how, for instance, could the leaders of Kazakhstan, of whose population more than half are Russians, or of Kyrghyzstan, of whose population nearly 30 percent are Russophones govern without taking the said factor into account? Without that, without close collaboration with Russia, what we might visualize as eventualizing is interethnic division and civil war with the most disastrous of consequences.

All these economic, social, and political factors warrant the assumption that while taking three or four steps away today, in the future Russia and the former Soviet republics will take two or three steps towards each other, aware that cooperation within Eurasia is essential.

Such cooperation may be imperilled not only by the fluid situation and the surging tides of nationalism and Islamism in the new Transcaucasian and Central Asian states, but also by Russia herself as the search for "an enemy" in the person of the Moslems may promote great-Russian chauvinism.

Russia's geostrategic situation is unique. Globally speaking, it is the only European Christianized country sharing a common border thousands of kilometres long with the new Moslem states. Should future North-South relationships worsen, they may have a disruptive impact on both Russia herself and the contiguous Moslem countries. Hence the search for new forms of cohabitation, coexistence and cooperation represents a political priority for both Russia and the "immediate abroad."

What is more important to stress nowadays are not the "successes" or "failures" in the military confrontation between the Christian and Islamic worlds, but the point that these two equally great civilizations must attain harmonious cohabitation, even be it through a painful ordeal and a pragmatic policy of trial and error.

Alexei Vasilyev,
D.Sc. (Hist.)

While the Slavonic republics are dividing the navy and missiles, the leaders of the five ex-Soviet states of Central Asia, namely Nursultan Nazarbayev of Kazakhstan, Askar Akayev of Kyrghyzstan, Rahmon Nabiyev of Tajikistan, Saparmurad Niyazov of Turkmenia, and Islam Karimov of Uzbekistan are building bridges to link up with their neighbours. Four of them, except Nabiyev who is facing great complications at home, welcomed in Ashgabat cherished distinguished guests from the Middle East.

In turn, the Iranian, Pakistani and Turkish leaders Ali Akbar Hashemi-Rafsanjani, Nawaz Sharif and Suleiman Demirel are competing for influence in the region.

The Ashgabat mejlis

The May 9–10 Ashgabat summit initiated a new geopolitical reality. Henceforth the five Moslem states of ex-Soviet Central Asia and the three Middle East states plan to operate conjointly.

The summit participants announced readiness to resolve political and economic problems in common. They agreed to contribute to the construction of trans-Asian railway and motor road that would link Istanbul, Teheran, Islamabad, Ashgabat, Tashkent, Bishkek and Alma Ata, as a result of which the Middle East will be able to promote economic relations, especially commerce, with Central Asia, thereby bypassing Europe, especially Russia. Meanwhile Central Asia will gain an outlet to the Mediterranean. Recalled ever more often in the East nowadays is the Great Silk Road.

Note that at stake is not any unilateral "flow of money" from Iran and Turkey to the CIS. The Ashgabat summit also agreed to lay a gas pipeline to feed Turkmenian gas to Iran, Turkey and Europe.

As far as world politics are concerned, again Central Asia and the Middle East have shown that they can come out in one united front despite the numerous conflicts within the Moslem world as such. The Ashgabat mejlis adopted a statement appealing to the world community to intensify pressure on countries where interethnic, political or interreligious confrontation has welled up into armed conflict. The UN Security Council and CSCE have been urged to proceed with the peace efforts to terminate the bloodshed between Bosnia and Herzegovina. The UN Security Council has also been requested to intervene in the Karabakh conflict, while the related belligerents have been asked to cease fire. The Armenians have also been told to withdraw their armed detachments from Shusha at once. Though it was emphasized that developments in Afghanistan are the internal affair of its people, the world community has been urged to help fugitives repatriate. It has been admitted that the Kashmir problem should be resolved in accord with the respective UN Security Council resolution. The summit voiced the hope that Tajikistan, whose leader was absent, will prevent bloodshed and civil war and that the adversaries would reach mutual understanding and accord by peaceful means.

It appears that the communality of cultures, religions, and national traditions has led to the creation in the East of a new association of states capable to a degree of influencing international politics and the lineup of world forces. In short, a new geopolitical factor has emerged in Ashgabat.

THIS WEEK

The foreign ministers of the Commonwealth of Independent States, at their meeting in Tashkent, drew up an agenda for a CIS summit to be held in the same city.

* * *

The capital of Tajikistan is practically fully controlled by the opposition. President Nabiyev has formed a new government in which representatives of the opposition will hold 8 of the 24 ministerial posts, including the posts of chairman of the defence committee, minister of public education, and chairman of the state radio and television committee.

* * *

A fierce exchange of fire between the Moldovan police and guardsmen of the Dniester republic continued in the vicinity of Dubossary and in other towns of the republic. Several people were killed in fighting. Both sides accuse each other of breaking the ceasefire.

* * *

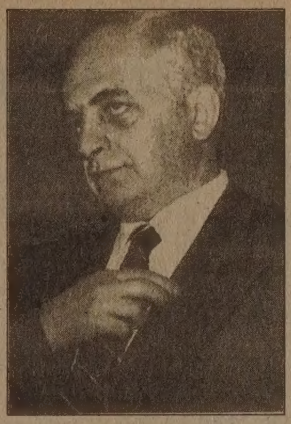
About 2.5 million medical workers in 65 regions of Russia are now on strike, demanding a three-fold pay increase at minimum.

* * *

In the opinion of Jeffrey Sachs, an adviser of the Russian government, the latter has achieved considerable successes in the improvement of finances. Thanks to the West's readiness to give financial support, the government can use it to cover budget expenditures, though the industrial crisis will continue and even grow worse. A slump will continue in the defence-related and heavy industries, and workers will be laid off. At the same time, new jobs will be created in the service industry and trade. In the former USSR, there were 20 shops with a personnel of 177 for every 10,000 people, whereas in Japan, the figures were 135 and 527 respectively.

Russia's export and import have been growing rapidly since March. The country can become a big exporter.

* * *



In his open letter to Georgia's State Council Chairman Eduard Shevardnadze, ex-president Zviad Gamsakhurdia brought 19 charges against the present leader of the republic, including the charge of "organizing an international conspiracy, criminal revolution and a military coup."

* * *

The State Atomic Supervision Committee of Russia has decided to stop two atomic reactors at the mining-chemical plant in Krasnoyarsk-26. The reactors were to produce plutonium used in the manufacture of atomic weapons.

***

Ukraine's defence minister has dismissed Major-General Valentin Kuznetsov, commander of an army corps stationed in the Crimea. At a meeting of the certifying commission, at which he was offered a promotion, the general replied "no" to the question: "Do you agree, in case of need, to fight against Russia?" Valentin Kuznetsov went on a hunger strike in protest against his removal. He was backed by three more officers of the corps. The wives of these officers also joined the hunger strike.

* * *

"Today Russia bears tremendous responsibility before history and all nations," Kazakhstan's President Nazarbayev said in an interview with the newspaper *Nezavisimaya Gazeta*. "Without Russia, a statement on the formation of the Commonwealth would not be signed and the Union would not have been dissolved. Russia now plays an immense unifying role in the forward movement of the independent states. However, in such a crucial and tense period the leaders of Russia must display particular tact in their statements and actions.

* * *

A protocol on principles of cooperation between the Kazakh government and the American corporation Chevron has been signed in Alma Ata. It provides for the establishment of a joint venture, Tenghiz-Chevron oil, which will exploit the fields and produce oil and hydrocarbon raw materials. Under the contract, 80 percent of the profit of the joint enterprise will remain in the republic and 20 percent will go to Chevron. At the first stage, the United States is going to invest about two billion dollars in the Tenghiz oil fields.

***

The exchange rate of the dollar continues to fall. At an auction in the Moscow Interbank currency exchange, it made up 128 rubles to one dollar. In a week, the dollar became "cheaper" by 15 rubles 60 kopecks.

* * *

Ukrainian diplomats did not invite any member of the Russian embassy staff to the ceremony of the opening their embassy in Washington. Kiev recently hinted it would like to receive security guarantees from the West, in particular, from the United States. It was made clear to President Kravchuk during his stay in Washington that the best guarantees of security lay in Ukraine's rapid integration in world institutions, early economic reforms, the promotion of democracy, and good relations with Russia.

***

In Magnitogorsk, the "metallurgical capital" of the Urals, part of wages is now paid in sugar. Each worker of the integrated iron and steel plant receives a 50-kg sack of sugar. It costs 2,500 rubles. Payment in kind allows the management to save 150 million rubles of paper money which is now in short supply.

With or without Russia?

The people we talked with in Grozny said repeatedly: before the coup and after the putsch. At first, it seemed to us that they referred to the August putsch in Moscow last year. But then we got accustomed to it: the word "putsch" was used to describe the events of March 31 of this year. In the evening of March 30 the central news programmes reported that the overthrow of President Dudayev was being prepared in the Chechen republic. The President and his supporters would later use the report as incontrovertible proof that Moscow was planning the coup. Indeed, on the last day of March people with arms gathered in the central part of the republic's capital of Grozny and made a weak attempt to capture the television station. But they were repelled by guardsmen and thousands of volunteers, supporters of the President, who had rushed to Grozny from various villages.

A confrontation hung over the city. The government attempted to defuse tension with a traditional method, by appealing to the authority of elders. Then an unheard-of thing happened. Fire was opened on the elders who exhorted the rebels to disperse. One of the elders was killed. It was a shock. A Chechen used arms against another Chechen over politics. Such a thing is not remembered to have ever happened here, though crime and vendetta have existed at all times. Respect for an elder, the most holy commandment of traditional conscience has been insulted. All in all six persons were killed in those events.

Dudayev was lucky three times

It was clear to Dudayev, his followers and almost everyone in the republic that the March 31 events had been masterminded by Moscow. The coup attempt was timed to the signing of a federal treaty (Chechens do not forget to add: "so-called") and there was allegedly a team in Moscow ready to sign it on behalf of the Chechen-Ingush Republic when necessary. It only remained to seize the television centre and proclaim that the "illegal" Dudayev was toppled and "constitutional" government restored.

It was alleged that Moscow armed the rebels and delivered narcotics and vodka (for a sober Chechen would not shoot an elder to death, moreover in the sacred month of Ramadan). Partocrats brought down by the Chechen revolution entrenched themselves in Moscow. Among them are Doku Zavgayev, former first secretary of the regional party committee and then chairman of the Supreme Soviet of the Chechen-Ingush Republic, and former prime minister Sergei Bekov. These partocrats, we were told in Grozny, enjoy the support of certain circles in the Russian leadership and, what is important, in the army and the KGB.

There is another point of view among Chechen politicians. The game over the republic is being conducted by those Russian politicians who aim their main blow at Yeltsin. The instigation of a confrontation between Russia and the Chechen republic and the stoking up of tension in the North Caucasian region are aggravating the internal crisis in Russia and consolidating the positions of those who are accustomed to solving political problems by force. The independently minded intellectuals in the republic have come to believe that the masterminds of this venture levelled their blow not at the higher-ups but rather at the democratic opposition.

In Grozny they say: If you recognize our independence we'll be your most true and reliable friends in the Caucasus

The "opposition" has now become an abusive word. It is associated with those who stormed the television centre and opened fire in the sacred month of fasting. Moreover, the "opposition"

Though the President looks tired, he is optimistic

dared encroach on national independence. This gives the presidential circles grounds to claim that there is no opposition as such in the republic, that it has completely discredited itself by its participation in the putsch. However, according to Zhabrail Gakayev, a noted Chechen political scientist and professor of Grozny University, on the eve of the March 31 events the political rating of the present Chechen leadership were falling sharply and the chances of the democratic opposition were increasing accordingly.

Indeed, is there opposition to Dudayev? To understand this, we have to recall events which took place in the republic six months ago, when the general was not yet President.

Dudayev's popularity reached its peak for the first time when he virtually directed the rally which lasted for many days in August and September of last year. The rally brought down the republic's partocratic leadership discredited by its support of the August coup in Moscow last year. Moscow tried to

fill in the vacuum of power by a provisional body (pending new elections) which preserved some degree of continuity with the dissolved Supreme Soviet.

This scenario was thwarted by General Dudayev, who at the time was formally only the leader of a public organization, the All-National Congress of the Chechen People. Dudayev quickly began to form his own bodies of authority which were at odds with the old bodies. Such an outspoken flouting of the legitimate bodies for some time alienated from him a considerable section of the democratically-oriented intellectuals. Dudayev's popularity among the people also began to decline somewhat.

However, the notorious visit of Vice-President Rutskoi to Grozny and a state of emergency declared by Moscow shortly after that came at an "opportune" moment. The Chechens again rallied round Dudayev. His name was now associated with independence and opposition to the Russian empire. At that time the Chechens, with the exception of former higher-ups, were prepared to back Dudayev irrespective of their personal attitude to him. As the power of the President grew stronger discontented people began to appear again and the tendency towards forming an opposition became manifested once more.

An end was put to these tendencies on March 31.

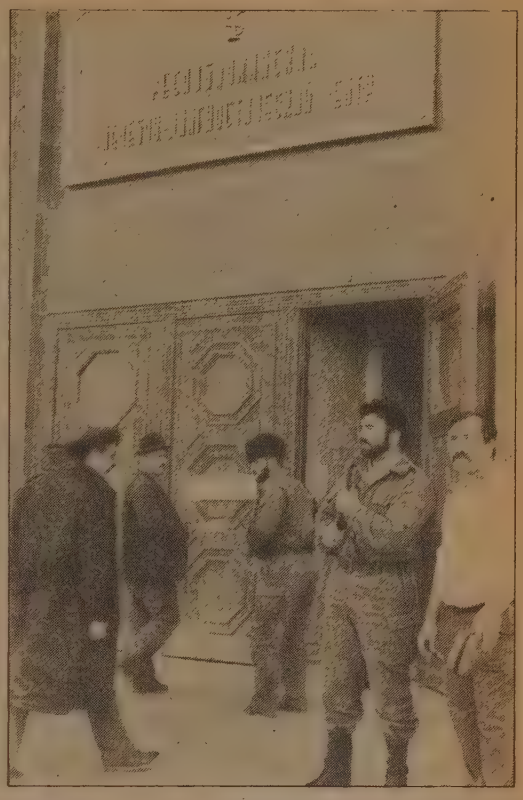
Better to arm than appeal to the court

How to treat the Dudayev regime? There is no doubt about the illegitimate character of its origin. It is the main argument of Zhabrail Gakayev (the Movement for Democratic Reforms), Ganga Elmurzayeva (the democratic movement *Daimokh*) and other apponents of Dudayev. It is still not known exactly till now what part of the population took part in the presidential and parliamentary elections. It is not known whether a majority of voters went to the polls.

In any case, the present Chechen parliament is practically mono-national. Of its 41 members only one is Russian while other national minorities are not represented at all. The Chechen Republic (not Chechen-Ingush) was proclaimed in Grozny from "above," without a referendum.

All that is so. However, it is impossible to assess these circumstances properly without understanding that lawlessness existed in the republic before Dudayev came to power. All of us, citizens of the former Soviet Union, lived in a state in which laws were flouted. But even against this background the Chechen-Ingush Republic was noted for the exceptional corruption and inefficiency of its law-enforcement bodies. A member of the Chechen parliament, Shepa Gadayev, who is widely known in the republic as a man who does not take bribes, says that with his legal education received in Leningrad he could not become a judge in his republic for a long time because he did not want to pay for this post according to the set tariff. Citizens of the republic did not want to seek justice either from the police or, even more so, from the courts.

Dudayev's "revolutionary law," for which he is blamed today, was merely a continuation of the tradition of full disrespect for law as such. This disrespect could not but increase in conditions of revolutionary nihilism with respect to law demonstrated by the higher-ups. Moscow, at first, also approved the unlawful dissolution of the Supreme Soviet, which was in its turn elected in the atmosphere of flagrant violations of laws and rights. It began to talk about lawlessness only when developments had taken a turn unfavourable for it.



The presidential offices occupy two storeys in the building of the former regional party committee and a former medical centre. In spite of the guards it is not difficult to get inside

All this will apparently have its effect for a long time not only on the desperately criminogenic situation in the republic but also on its internal political situation. The authorities and the opposition understand well that the use of arms can become an everyday occurrence. A Makarov pistol can today be easily bought on the market for 70,000 rubles, and a Kalashnikov gun for 100,000 rubles. The President is aware that in such a situation it is not practicable to confiscate arms now kept by the population. That is why the authorities merely imposed high fines for unregistered arms. Residents of Grozny admit that the cases of erratic firing have increased lately, and people fear they might be killed by accident. Rumours about disappearing women and children are afloat in the city. The cases of killings due to jealousy have increased.

The Chechens fare more or less thanks to the remaining foundations of their society. It is not in their habit to drink hard. Playing with arms was considered a grave sin for men. The traditions of vendetta are very strong. Every accidental shot will inevitably prove fatal for the whole kin. The unwritten power of a clan, elder or mullah remains strong too. All this makes society manageable on the whole.

In one of the villages two local inhabitants riding in a car became involved in a minor road accident. Instead of stopping, they tried to run away. They were detained and brought to the police station. However, a crowd of excited people gathered in front of the police station, demanding that the detained be released. For a whole hour the Russian chief of the police station tried to soothe the crowd. In despair, he applied for help not to the riot police but to the mullah. According to the police chief, the mullah persuaded the crowd to disperse within half a minute, "I'll find out myself whether these are guilty," he said. "If they are they will be punished accordingly. If not, I promise you that they will be released." The square was quickly deserted.

In the belief that the nation is manageable Dudayev prefers better to arm his compatriots than to rely on the completely corrupted law-enforcement bodies. In general, it seems he seriously hopes to eliminate corruption in the republic. However, on coming to power, the leaders of Latin American regimes also promised to abolish the utterly corrupt structures. As a rule, corruption

In the daytime boys play around armoured carriers in the central part of Grozny

thrived again. It is said that the President himself is not connected with corrupted bodies. In selecting candidates for high posts he pays much attention to the issue of whether they are free from corruption. However, it is also said that Dudayev is extremely trustful and cannot assess people properly.

Unfortunately, one cannot depend much on the society's traditional foundations today. Their erosion is particularly noticeable in Grozny. This process was tremendously accelerated during the 13-year exile (1944–1957). The years spent by Chechens and Ingushes outside their native land led to the weakening of continuity in the cultural field. It is yet another factor increasing the crime rate in the republic.

The authorities and reform

A part of society does not ally with the regime because of the attitude of the presidential team to economic reform. In the former Union the region held one of the last places owing to social tension there. The situation has aggravated today. Having proclaimed independence, the Chechen republic maintains economic ties with Russia and continues to use the ruble. However, a political relationship with Mosow has not been settled. The effects of such a situation are very painful. The supplies of metal and oil, now imported by the republic, have been disrupted. At the same time the debts of the external partners keep increasing, they owe the republic more than 400 million rubles. This inevitably leads to an even greater slump in production.

The President and Vice-Premier and economics minister Taimaz Abubakarov revealed that the republic holds out thanks to direct agreements concluded with the Stavropol, Krasnodar, Rostov and Astrakhan regions. Tens of thousands of tons of metal are to be supplied by Ukraine.

The situation with cash is disastrous. The people have not received wages for five months. But mass strikes have been averted so far. The people are told that, refusing to provide ruble cash, Russia is "punishing" the Chechen republic for its obstinacy. In general, populism is today characteristic of domestic politics. Here is one example. Bread prices have been frozen. A long loaf costs only 80 kopecks, with the price of flour being 15 rubles for a kilo. Such a state of affairs cannot evidently last long.

What's to be done? To turn the land over to the people so that they can feed themselves? But the presidential team objects to this measure. "In view of our land shortage and with the people not yet ready for independent and civilized farming," it says, "conditions for transferring the land to private owners have not yet matured."

But in the opinion of Salambek Khadjiyev, former people's deputy of the USSR and former Union minister of the chemical and oil-refining industry, these arguments are intended only for "external consumption." The true reason is fear of losing power as a result of the formation of a class of free farmers. This explains why, several months ago, Khadjiyev refused to accept the post of vice-premier offered him by Dudayev. He does not approve of the President's desire for state monopolization of the economy. This view is shared by many opponents of the regime. True, unlike them, Khadjiyev, who enjoys prestige in the republic, does not seek to play an active part in politics. The time has not come for this man, a member of three academies and director of a petrochemical research institute, the largest in the region.

Russians and others

An elderly, intellectual and very likable couple came to us to seek either advice or help. His head and her face were badly bruised. They told us their children and grandchildren visited them on Easter. After the children went out to start the car they heard a terrible scream from the grandchildren. The couple ran out and saw that their son, son-in-law and daughter were being beaten by tough thugs. The woman added with confusion: "They were of indigenous nationality."

It turned out later on that those drunk and impudent thugs had demanded the son-in-law give them a lift to a certain address. He refused, explaining that he should take his family home. The guys got angry. "If you don't want to do it of your own free will, we'll take your car away," they shouted, and began to drag the man out of the car. The son and daughter tried to protect him, but the hoodlums began to beat them too with children watching from inside the car. The father, hearing the scream of the grandchildren, ran out of the house and threw a stone at the man who was beating his son, and broke his head. The hoodlums then attacked the elders, persecuted them and beat them in their own flat, ransacked it and threatened in the end that they would kill them.

A Chechen woman neighbour called the police. As usual, and this happens not only in Grozny, the police arrived half an hour after the bandits had gone. They noted philosophically that no one would gain from instituting criminal proceedings. "Their relatives and friends will torment you," one of them added. The couple is now hiding in the flats of their acquaintances and are afraid of going home. They fear persecutions and do not believe, with good reason, that the police will protect them.

It is not yet an ethnic conflict, but very close to it. The point is not even that the hoodlums insulted the elderly Russian woman with obscene words, but that people of non-indigenous nationality proved especially defenceless against crime and hooliganism from which everyone suffers. A Chechen, if he is not protected by police, will be able to defend himself with the help of his relatives and connections. What can

Russians do? Unite, arm themselves and form self-defence groups? It is clear that in this case real national discord would break out.

The elderly couple with whom we talked have no grudge against Chechens. They have Chechen neighbours and friends about whom one can say: "He is like brother for me." In general, they have lived all their lives in Grozny and never thought of leaving it. They do not want to leave even now. They only want to understand what to do. They are also very loyal to Dudayev. "He declared Easter an official holiday, but these damned thugs defiled Easter, perhaps purposely, in order to discredit him." Nevertheless, they said: "Don't believe that Russians live quietly here."

Movladi Udugov is one of Dudayev's ideologists

We heard approximately the same in the Jewish community. President Dudayev is expressly supportive. He reached an agreement with Tel Aviv on the installation of satellite aerials for relaying Israeli TV programmes and ordered that the synagogue should be returned to the community. But how can one protect himself against armed wildmen who can burst into one's house at any moment? It is impossible to complain to the President every time. It is simpler to move away.

An ethnic council was formed early this year. It coordinates the work of all institutionalized national and national-cultural societies. In fact, it has broader functions. The council helps organize those associations of fellow-countrymen and communities which have not yet been established formally and takes under its protection those whose national dignity was insulted. In accordance with the President's decision, the ethnic council will be allowed to express its views on television.

The chairman of the council is Boris Asaturov, a Russianized Armenian and a long-time resident of Grozny. Asaturov is on good terms with Dudayev. He says that the President lends an attentive ear to what the council suggests. The ethnic council gives an expert opinion on bills to be submitted to the parliament and takes part in the latter's sessions with a deliberative vote. For instance, it is on the initiative and insistence of the council that a provision on dual citizenship was introduced in the Constitution of the Chechen republic.

We also heard about an episode which seemed hopeful. When a tipsy and aggressive passenger solicited a Russian woman, Chechen men simply made him get out at the next stop.

What generals can't do

The republic is full of contradictions. On the one hand, there is practically no one, from the President to a member of the opposition and a market shopper, who would not embrace the idea of Chechen independence. The people see in it a guarantee that the 1944 tragedy will not be repeated. On the other hand, the impression is that a more or less full concept of independence does not exist. It seems that independence

Salambek Khadjiyev refused to accept the post of vice-premier

is reduced to the right to live according to self-made laws and without Moscow-appointed representatives. At the same time neither Russian nor Chechen authorities are able to enforce laws. We have not discovered a keen desire for an independent economic life or an independent foreign policy.

There is one more contradiction. On the one hand, everyone, from children to adults, repeat that Communists will never return to the republic, whether they are home or foreign Communists. The eradication of communist views and practices is regarded as one of the most essential social tasks. On the other hand, the present Chechen government stubbornly refuses to effect a more or less serious liberalization of the economy, trying to preserve a state monopoly.

Thirdly, the ruling circles clearly manifest the desire to maintain inter-ethnic peace in the republic. There is no denying the fact, however, that President Dudayev is so far the acknowledged leader of the Chechens, but not a national leader.

What should Russia do in view of these contradictions? It is possible, of course, to charge Vice-President Rutskoi with the conduct of Caucasian policy. In the name of the ideals of democracy and for the sake of protecting the Russian-speaking population he will demand in the form of an ultimatum that the Chechens obey the Russian laws. But, it seems, such an action would bring about confrontation. It is also possible to fence Russia off from the Chechen republic by custom houses and frontier posts and continue the policy of expelling from Moscow Chechens who have come without a visa. This is possible if we are not afraid of cutting ourselves from the large oil refining centre, if we do not care about the Russians and Russian-speaking people living in Grozny and the republic, if we want to lose this region forever. It is not an empty threat, as can be evidenced at least by a revival of the advocates of a theocratic Islamic state.

Movladi Udugov, minister of information and the press, showed us a long article published in the most influential local newspaper *Golos Checheno-Ingushetii* (The Voice of the Chechen-Ingush Republic). It is entitled "Islam and the intelligentsia." The author castigates "the wind bags who call for democracy and warn against fundamentalism."

"Such are the forces we have to fight here," Udugov said, and added: "If Russia does not recognize the independence of the Chechen republic quickly enough, nobody knows on what forces, within and outside it, Chechnya will be compelled to rely in order to preserve independence."

If Russia does not have in the Caucasus a more reliable ally than the loyal and friendly Chechen republic capable of ensuring stability in the region, then one can expect inevitable fierce internecine conflicts accompanied by a strong penetration of fundamentalist Islamic influence.

We found out later that it was Movladi Udugov who insisted on the publishing of this article in the above-mentioned newspaper. He argued that the struggle against an opponent will be more effective when he is allowed to manifest himself more fully.

Lastly, there is one more model of Russia's policy towards the Chechen republic, namely, the course outlined by a group of the Russian parliament's experts last February. The essence of this approach is recognition of the proclamation of the Chechen republic and its existing leadership. There can be no hurry with the recognition of Chechen statehood. However, it is impossible to delay the negotating process.

It is possible that a mafia group with its centre in Grozny does exist in Russia. It's up to the law-enforcement bodies to tackle the matter and until the court has passed a sentence there is a presumption of innocence. Any mention, in passing, over the radio, on television or in newspapers about the "Chechen mafia" can only arouse a sharp reaction in the republic, and this will hardly promote understanding between Moscow and Grozny.

Arkady Dubnov,
Galina Kovalskaya,
NT special correspondents
GROZNY

Photos by Arkady Dubnov

Miserable, immature, ungrateful

Grumbling overshadows the country with its democratic and red-brown military camps, its rallies, conferences, congresses, symposia and disputes. We may term this grumbling politological analysis. Thus:

– we have no democratic traditions...

– we have no proper civic society...

– we cannot go to democracy straight from totalitarianism, as nobody has done that yet...

– we need a charismatic personality, a strong man, who would introduce a market economy and democracy by force!

– we need an ideology, since people cannot dispense with ideals. They must know where they're going...

Plus the endless refrain:

– We are not ready for democracy.

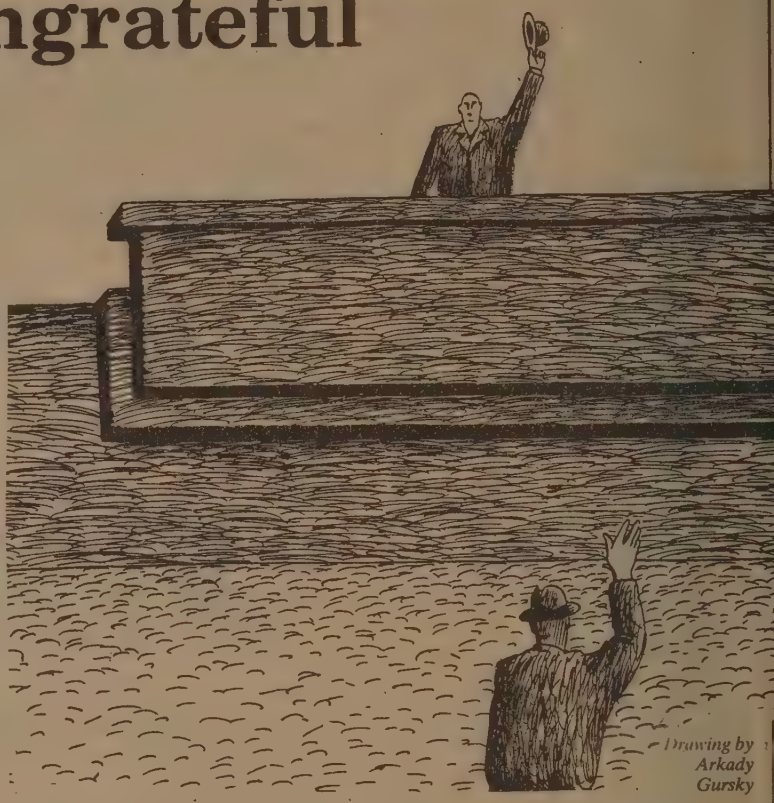
What about a tot and a bite?

Naturally, those who announce these truths from the platform are supposedly ready. The people are not. It's the people who lack the traditions, the political culture and the civic society. It's the people who need a charismatic personality, whom they could kowtow to and who would lead them by the hand into the bright future of capitalism.

And this unready people is frightful. The reforms were not started six years ago because a "social outburst," "civil war" or "senseless merciless Russian rebellion" evoked fear, with "unpredictable consequences" worst. Everyone trotted that scarecrow – Gorbachev, Ryzhkov, Alksnis, Sobchak, Abalkin and Petrakov. For that matter, every MP, whether in the Union or the Russian parliament, who took the floor to suggest an editorial amendment was bound to evoke the bogey of the "unpredictable consequences" that would follow were this amendment turned down.

At the outset, the "unpredictable" was indeed frightening. However, later we all gradually saw in practice that the predictable consequences were far more frightening.

However, back to the people. Our glorious politicians in cahoots with our glorious economists would have long installed a glorious democracy with relative wellbeing were the people different, a bit more developed, a bit more active, were they to possess political culture or to at once join Travkin's party or Astafyev's party, instead of thinking about a tot and a bite and watching the boob-tube.



Drawing by Arkady Gursky

Communists and patriots may feel angry with the people. That I can understand. But why are the democrats grumbling?

I would really like to know what the democrat gentry have against the people. Where, when, and how have the people let them down? That the Communist comrades and the patriot gentlemen may be angry with the people I can understand. After all, the ungrateful people, whom the Party blessed, have indeed forgotten the glorious communist ideals. The grudge is understandable. But what have the democrats to grumble about?

Take the first general election of 1989. The democrats had neither parties nor programmes, nor money, in short nothing with which to carry the elections. Still not infrequently they won out, while the Party nomenklatura lost. You say the people voted not for democracy but against the Party. Right. How else do people vote in the most wonderful of Western civic societies? They are offered a choice and they choose what they think better or less nasty.

Came the second general elections of 1990. Now there were two clearly defined blocs,

Democratic Russia and the "patriots." The Communists were now out of sight. So what did the people do? Did they say their weighty word? They certainly did. The democrats won, while the "patriots" sustained a crushing defeat.

Now trace Yeltsin's career from the angle of the role the people play. The people looked to Yeltsin already after the CPSU Central Committee plenary meeting in October. The people intuitively felt that "he could do it." What, though? The people are not obliged to concisely formulate their sentiments. Some thought he could wring the necks of the new communist bourgeoisie, others that he could give freedom, still others that he could get the country out of the mess it is in. There were some who really did not know what Yeltsin could do. But they felt "he could do it."

That was when the people resolved to put Yeltsin in power. And they did put him in power, wisely refusing every attempt to besmear him. Now we shall not try to analyze when the people disbelieved the calumny or when they shut their eyes to their hero's obvious miscalculations. It remains a fact that the people brought Yeltsin to power.

That the people more than simply trust Yeltsin, that they have willingly granted him confidence for a certain "sum total" of measures and for a certain time, is to be seen from the very fact that such blunders as his Chechen edict or his decree to merge state security with internal affairs, apart from several other less obvious errors have in no way dampened his rating.

Is it a rebellion?

After all, did the people trust Ryzhkov's tears? Did the people trust Pavlov's professionalism? Now swing to the opposite end to wonder why the Gaidar administration is still afloat. Indeed, he and his government were nicknamed "the boys in pink bloomers" by the popular Vice-President, prominent economists collectively disavowed them in highbrow terms, Academician Arbatov grumbled, that kind soul Svyatoslav Fyodorov cursed while the parliamentary Speaker, not bothering to adduce any arguments, merely alluding to his office and to his knowledge as a market economy expert with moreover the title of an Academy Corresponding Member, took them to task like so many schoolchildren. Yet the people trust Gaidar and his team. Why? After all, it is not given to everyone to comprehend such high flown economic terms as a "floating rate of exchange," "bank rate," a "macroeconomic model," or "the flight of capital." It is not given to everyone to see that the objections voiced to the reform are so much demagogic yells, as other policies proposed either call for a return to the impasse or are so many rosy-eyed pipe dreams. The people have no reason, cannot and do not want to understand these very special matters. However, the people feel that though the upshot of what this team is doing may be unpredictable, the outcome of other undertakings are unfortunately quite predictable.

It would be worth while calling to mind also the restraint and discipline shown during the miners' strikes. This has already been noted, but please, is there any rebellion here? Or take an unprejudiced view of the mammoth rallies in Moscow and St. Petersburg which "certain forces" sought to transform into provocations. Truth to tell, with the exception of February 23 last, when the organizers deliberately sought a row, there was not a single smashed shopwindow or overturned car. Indeed, one thought that at these rallies all hoods had either left the city or declared a moratorium on those outrages of which there are more than enough on an ordinary day in Moscow.

In my capacity as Orientalist I well know what demonstrations in India are like, whether they be for leftists or rightists, or for or against India's unity, or whether students simply march to protest failed exams. In each case you have smashed shopwindows and lanterns and burned cars. But, I hear you say India is a southern, not very well developed country. Then take Paris, where but recently students demonstrated against rightists and Le Pen. Again there were shattered shopwindows and burned buses and cars.

So who isn't ready for democracy in Russia? I think the intellectuals have shown they aren't.

"Clerking" intellectuals

In Russia, the intelligentsia, the intellectuals, comprised a social stratum conspicuous for two things, notably the educational level and the fact that they were never government employees. The marginality nourished their criticism and also their softness and indecisiveness. They could thus allow themselves to ponder and to vacillate in taking decisions.

In the mid-18th century, the aristocracy were granted the right not to serve in either the administration or the army. They did not avail themselves of this right immediately. The "superfluous men" of Russian literature were the forerunners of the intelligentsia. They no longer served the throne, but still did not serve the people and ideals. Subsequently intellectuals took two different roads. Some continued to serve and curry favour, others declined to serve not out of sloth, but in principle and thus came out against the entire system of autocracy and officialdom.

Russia's intelligentsia contributed to the ideological uplift of the late 19th-early 20th centuries and participated in

Some Muscovites still celebrate May Day, but do not smash shopwindows

Photo by Yuri Gripas

all the country's revolutions only to be themselves eliminated.

The "Soviet intelligentsia" is a misnomer. In the Soviet Union, there could not be any intellectuals who did not serve. Writer, artist, journalist or scientist, they all served the state. Firstly, they were paid out of the state budget, and, secondly, the interests of the state dominated their concepts and subject matter. By a range of sophistries, such as "the people and the Party are one," service to the people, which is typical of the intelligentsia, degenerated into service to the regime, which is lethal for the intelligentsia. True, though the powers-that-were kept such intelligentsia attributes as discussions and emoluments for their servants, they did not bother to hide that actually there was no intelligentsia at all. Note that even now as regards "social origins," we all stem, officially, from the "working class," the "peasantry" or "office employees."

There were, of course, the dissidents, who adequately corresponded to the definition, especially after losing jobs, or those "inner émigrés." However, the bulk of the educated class did not distance themselves from the government, but, on the contrary, took pride in being of use to the regime and were unhappy when their brains were ignored as in the 1960s. The "Soviet intellectual's" career was gauged by the office held or the title granted, which was but a version of office, as in effect it was granted by the bosses and carried more pay.

Looking for the lost condominium

Though the socio-economic status of the educated Homo Soveticus was similar to that of the factory worker, as he was paid by a state enterprise, his moral status was subject to much harsher trials, which explains the erosion. Whereas after wholesale repression ceased, the factory worker could develop a fearlessly independent thumb-nosing attitude, the educated person, though a beggar by Western standards, at once lost out in the event of the slightest criticism. His bosses controlled everything, another step up the ladder, a trip abroad, a one-man exhibition, the presentation of an academic thesis or the publication of a book. No wonder this gave rise "of its own accord" to servility, kowtowing, peaching, and the like. Such is the atmosphere at academic institutions and no doubt, the same is to be observed everywhere this spiritually pauperized stratum is in evidence.

Small wonder, they find it highly uncomfortable now that the strong man has gone and the customary pecking order is no more. Facing them now is the cardinal question of whom to serve. Hence, the attempts of would-be democrats to reinstall the pecking order, to regain bosses from whom to expect handouts. Perverted by a life led under communism, they are unable to grasp their bearings in the new conditions and are losing their meagre but so deeply cherished privileges.

Hence, the curious psychological desire to assert themselves by convincing themselves and others that nothing has changed.

"We used to go to Staraya Ploshchad before, and still go there where we deal with the same old officials. Again decisions are not taken but put off, again media associated with the regime are backed, while all other outlets are stifled. Academy elections remain as servile as before. Why, it is even worse today: before, we at least knew to whom to appeal to decide one or another thing. Now everything is at sixes and sevens. What's more, bribery is now in the open."

Yes, there is again no bright future. Yes, the faults of the old system have been partly incorporated in the new system. Yet the very fact that we can analyze and publicize the faults of this system already shows that it cannot be identified with the old system. But here I ponder over the stance our "intelligentsia," especially our political and politological elite, have adopted. Are they, in cooperation with our wonderful politicized and patient people, who know what they want, matured enough or not? Or are they continuing to conceal their consternation behind allusions to the supposed political ignorance of the people?

The quest for the alchemic recipe continues. Needed, it is claimed, is an autocratic regime. Needed is "the introduction of law and order." Needed is resistance to Russia's disintegration. Seriously argued is what would be better: to endorse the present republican boundaries, or introduce gubernias as existed in pre-revolutionary times. Migranyan suggests a condominium for the Crimea. Petrakov proposes importing foreign capital. The intellectual is still sunk in feeling and illusion.

Seek self-improvement!

In a *Nezavisimaya Gazeta* (Independent Gazette) contribution, one Victor Toporov suggests what Yeltsin should have done in August 1991. He should have proclaimed himself provisional dictator of the USSR and should have promulgated a nationwide state of emergency. Gorbachev should have been pensioned off, old political parties suspended and a military censorship introduced. What I particularly liked was his: "Heads of state institutions of every rank should be put on an army footing." What, not sack Union ministers, but make them generals?!

Where do the backroom eggheads get their concept of "enlightened authoritarianism" and belief in the benefits of absolute power? They seek to strip Yeltsin of his sole credit, the trust he enjoys with the masses. They want to deprive Yeltsin of opportunities of rectifying his mistakes via parliamentary or constitutional court rulings revoking presidential edicts. Our "pundits" squirm when not slotted into a clearly defined hierarchic order, that conveys commands from top down and reports from bottom up. Further, the new frame of incomes makes state-subsidized pay less and less prestigious, decent and stable. Hence the apocalyptic view of current reality that the stratum termed the "Soviet intelligentsia" take.

A new general election is in the offing. If the democratic forces split into a score or more of parties, with little to be discriminated between, though at times differences may be of principle but meticulously toned down, if they not run common candidates, if the people are not afforded the distinct option of choosing between a swingback or the building of capitalism, then they, the people, may feel at a loss. They may not realize that the popular Rutskoi and Travkin are playing into the hands of the "patriots," though the two don't seem to realize that themselves, or that Aksyuchits in his struggle against the CPSU has already expended his stock of democratism and has switched to protection of the state, if not the government. In one respect we must be grateful that the reds and the browns were so active: they have at least revealed who they actually are.

What is of particular moment today is to take a definite stance on the issue of the Russian state. Vociferous organizations are doing the Russian people a disservice by exhorting them to wage a senseless struggle for "the unity of Russia." This will merely repulse all other ethnic units and thereby demolish Russia completely. Meanwhile democratic forces either demonstrate inadequate maturity or a pusillanimity in upholding their principles, thus playing into the hands of the "patriots." Hence, allow me to repeat my basic point, which is that the obligation of the intelligensia, if it exists, is to offer the people a more or less distinct alternative. After all, it is for the people to choose. Indeed, everything, as I see thus far, shows that the people will make the right choice.

Leonid Alayev,
Editor-in-Chief, journal *Vostok*

The nuclear genie's illegitimate children

Among the dangerous surprises which, as it turned out, the world was in for after the end of the Cold War was the avalanche-like spread of nuclear weapons. This danger was further intensified by the disintegration of the USSR, whose nuclear warheads were stationed not only in Russia, the legal successor to the Soviet Union, but also in three other, now independent, republics – Ukraine, Belarus and Kazakhstan.

All of them joined the Commonwealth of Independent States (CIS) and agreed, in principle, to hand over strategic arms to it and transfer tactical warheads to Russia. Unlike Belarus, however, neither Ukraine, nor Kazakhstan are in a hurry to fulfil this commitment. Their statements to this effect sound so controversial that some observers have come to suspect them of temporizing. The vocabulary of international law has even been enriched with a new hitherto unknown term – "a temporary nuclear power." This situation is most disconcerting because most of us know only too well how true the Soviet saying is: "There's nothing more constant than our temporary problems."

It looks, though, as if public opinion, which insists on the fulfilment of the above-mentioned commitments, has played a beneficial role here. At the beginning of May, Kiev announced that all tactical weapons would be moved to Russia by July. According to Ukraine's first ambassador to Washington, his nuclear republic was prepared to "go non-nuclear" as regards strategic arms as well, but only on condition, he stressed, that the process was controlled by other CIS states, Western countries and "the United States especially."

Kazakhstan went even further than that. In exchange for its recognition as a "temporary nuclear power," it suggested a "strategic alliance" with the USA and promised to accede to the Treaty on the Non-Proliferation of Nuclear Weapons. While on his recent visit to the USA, Leonid Kravchuk, too, proclaimed his intention of joining the Treaty. Neither of the republics, however, specifies the date when this might happen. In a word, the Soviet nuclear legacy is still giving rise to much controversy.

One cannot but agree, however, with the following remark *The New York Times* made in connection with President Kravchuk's visit to the United States: Attempts to play the "nuclear trump card" won't help anyone to raise his prestige or to win America's favour. Indeed, the security of all mankind is at stake. The once-Soviet arsenal of nuclear death is not in a vacuum at all. Early this year, the London *Financial Times* named as many as 28 countries which were almost ready to launch the production of nuclear weapons on their own, or sought to possess such weapons. The paper carried a map on which all the continents (except Australia) were coloured various shades of black, indicating degrees of approximation to that goal. This brings to mind a popular American film of the sixties, in which the fifth continent was presented as a lucky island which alone had emerged intact from a global nuclear holocaust.

There is a school of thought, however, which says that when just one power had the atomic bomb, it did not hesitate to use it. Later, when another nuclear power appeared on the scene, the two did not venture using their atomic bombs, although they came to the brink of a nuclear conflict on several occasions. After the number of nuclear powers had come to five, the danger of nuclear weapons being used became remoter still. What if there are thirty or forty of them? Will fear of a chain reaction rule out even local nuclear conflicts?

For all its apparent logic, this line of reasoning fails to take certain important circumstances into account. Now that communist totalitarianism has collapsed, nationalistic passions are running high, with the result that emotions often prevail over reason. The virus of nationalism is propagating fast. Today it has not only infected the Caucasus or, say, Yugoslavia, but suddenly "gone on a rampage" in Los Angeles. What if such outbursts of unbridled emotions are accompanied by the shaking of a mailed fist? Nuclear arms control is a delicate matter which calls for special training. Are there any guarantees that the "temporary possessors" of nuclear weapons will be able to provide such control and that these weapons will not fall into the hands of irresponsible elements, terrorists even? One can doubt the truth of the report about nuclear warheads having been smuggled out of Kazakhstan into Iran, but can we rule out the possibility of "Moslem channels" being put to this use in general? Hasn't it been the smuggling, and even theft, of nuclear materials all over the Middle East, from Pakistan to Israel, that has expedited the forging of the nuclear sword there?

Today we read in the papers that Japan is building up the world's largest stock of plutonium, the search for which is going on worldwide. What's the big idea?

In the current situation there is a particularly acute need for a mechanism to prevent the nuclear genie and his "illegitimate children" from spreading their domain globally. Separate components of such a mechanism exist already. The Treaty on the Non-Proliferation of Nuclear Weapons has proved its usefulness; there is the IAEA system which has demonstrated its efficacy during the recent on-the-spot inspections of Iraq and North Korea. And finally, there is the Soviet-American Strategic Arms Reduction Treaty which fully applies to the CIS.

Interaction between these legal structures is facilitated by the fact that both nuclear superpowers – the US and Russia, which remains such in spite of everything – are active in each of them. Such a strategic alliance is crucial to effective control over nuclear arms and mankind's gradual deliverance from the threat of self-destruction.

Dmitry Volsky

The "soft ruble" and hard currency

The problem of the hard currency exchange rate, which many of us have had no notion of until recently, has suddenly become of interest to most citizens of the Russian Federation. Endless advertisements offering all sorts of things in exchange for hard currency, hard currency shops with tempting displays of merchandise, entrepreneurs having gained direct access to foreign markets, columns of foreign currency rate quotations appearing in the papers and flea-market stalls with placards on them saying "Hard Currency Bought Here" – all these are signs of the times. The nation is shedding the fetters of state foreign trade monopoly, and building bridges to the world market, even though not always in a civilized way.

Will the ruble oust "greenbacks"?

The price of money

The currency exchange rate is the chief element of any country's monetary system which expresses the price correlation between national and foreign currency units. A statement of the current price of the given country's monetary unit in terms of other countries' monetary units is called a quotation. Two kinds of quotations – direct and indirect – are accepted in world practice.

Direct quotation is the statement of the current price of foreign currency units (US dollars, Japanese yens, Italian lire, etc.) in national ones (rubles). Indirect quotation is, on the contrary, the statement of the current price of a national currency unit in terms of foreign monetary units. Direct quotations are used in most countries, Russia included, and indirect quotations – chiefly in Britain and some other countries of the British Commonwealth.

The so-called cross-rate is the correlation between two currencies based on quotation of each in some third currency (usually in US dollars). For instance, the ruble exchange rate against the Deutsche Mark can be calculated directly, or through the Russian and German currencies' exchange rate against the US dollar. The results are certain to differ a little. Cross-rates are used when the currency of a partner country in an international transaction is not stable enough; in that case, the exchange rate of the currency of payment is tied up to the more stable currency in order to avoid losses.

Sometimes, the commodity rate of exchange is used, i.e. the mutual quotation of currencies arrived at through the cost of this or that commodity in international circulation. The reason why commodity exchange rate differs from others is that the domestic and world market prices of individual exports and imports differ sharply. For instance, if we calculate the ruble rate of exchange to the dollar through the domestic and world price of sugar, the result will be 361 rubles to a dollar.

Depending on the method by which they are determined, currency exchange rates may by fixed or floating. Fixed currency exchange rates are set by the government, and only slight deviations from them are allowed. The ruble rate of exchange, arbitrarily set by the Party leadership at one dollar to 64 copecks, remained fixed far many years irrespective of declines in the ruble's purchasing power, inflationary depreciation of the dollar, or any other attendant circumstances.

Floating rate of exchange changes in a natural way, under the influence of demand for, and supply of, national and foreign cur-

Drawing by Marat Tairov

rency as a commodity on the currency market. This exchange rate is not set by the state, it reflects a vast variety of economic factors (monetary units' purchasing power, inflation rates, the state of the balance of payment, the interest rate differential, etc.) and non-economic ones (wars, natural calamities, rumours, heart attacks suffered by presidents, developments at a Congress of People's Deputies, etc.) which all have an effect upon currency exchange rate fluctuations.

Depending on whether currency is sold or bought, there is a seller's rate (higher) and a buyer's rate (lower). The difference between the two rates due to the currency dealers' natural desire to sell dear and buy cheap, is called "margin," which is the main source of profit for money changers.

The standard of a state's economic development can be judged by whether it has the so-called dual exchange market, i.e. a multiplicity of currency exchange rates used when carrying out different kinds of transactions. Many countries, even highly developed ones, are still compelled to use at least two currency rates – one for day-to-day transactions (foreign trade mostly) and the other for the international movement of capital. In developing countries, there is often a multitude of currency exchange rates many of which do not even lend themselves to state regulation.

There are rates and then there are rates

The situation in our country is not much different from that. The only difference is that in our case a multiplicity of currency exchange rates is further aggravated by the uncertainty of the status of the ruble itself. The rates differ depending on what kind of ruble – cash or non-cash – is used, on whether it is used as an instrument of domestic or international payment, on what form of account settlement is accepted in transactions with this or that country (hard-currency, clearing, etc.).

There are at least five currency exchange rates in Russia today.

First, the market rate (one US dollar to 100 rubles early in May 1992) which is actually the official rate. According to official documents, it is set by Russia's Central Bank on the basis of a balanced price charged on the inter-bank currency market by commercial banks, other legal entities or private individuals, at auction sales and exchanges. Such a procedure is close to fixing – the system of setting currency exchange rates on civilized currency markets by comparing the demand and supply of each currency in each particular buy-and-sell deal.

Fixing is too much of a good thing in our case. It calls for a computer network capable of registering each foreign exchange transaction the results of which would have an immediate effect on the given currency's exchange rate displayed on monitor screens at all the banks subscribing to such a network. In a situation when the ordinary telephone remains the only means of communication with most banks, fixing is out of the question.

More likely than not, the Central Bank sets the market rate by rule of thumb, proceeding from the results of tenders on the currency exchange and, possibly, from the cash buyers' and sellers' exchange rates. This is no cause for concern because the market rate is used chiefly in clearing transactions and by exporters as they sell 10 percent of their hard currency earnings to the currency stabilization fund.

Second, there is a special commercial rate (one US dollar to 55 rubles), also set by the Central Bank as percentage of the market rate and used by exporters as they transfer 40 percent of their hard currency earnings to the republic's currency reserve. The problem now is to gradually level out the market and special commercial exchange rates of the ruble.

Third, there is an auction rate of exchange (one US dollar to 145.5 rubles). It applies to "clearing" rubles and is calculated as an average quotation of the ruble at the Moscow Inter-Bank Currency Exchange, the hard-currency auction of Tallinn International Stock Exchange and the hard-currency auction of the Estonian Exchange. Of greatest importance to Russia is the ruble exchange rate at the Moscow Inter-Bank Currency Exchange formed by 34 organizations (including the Russian Central Bank and the Moscow government) for the special purpose of buying and selling clearing currency.

The market exchange rate does not reflect much because access to tenders is allowed only to the banks which are members of the currency exchange, with the rest of the enterprises compelled to act through them. Besides, non-residents – foreign enterprises and private individuals – are barred from tenders. All this artificially restricts the size of the currency market which, over the past few years, has never exceeded the ridiculously narrow limits of 6-8 million dollars which, along with the periodic currency interventions by the Central Bank, makes it possible to manipulate the currency exchange rate.

The fourth rate is that of the cash market (one US dollar to 120-130 rubles). It is the average of two values: the rate at which cash is bought and sold by authorized commercial banks which, in this case, act as ordinary exchange offices, and the "black market" rate. Bank and "black market" rates fluctuate considerably and change quite often (sometimes several times a day).

The "black market" and banks play on the difference between purchase and sale rates and, in the end, the fluctuations of rate relationships between them average out. It is small wonder, therefore, that in front of commercial banks one can often see "black marketeers" who offer to exchange your currency at the bank's rate without any commission percentage charged.

The fifth, special currency exchange rate (one US dollar to 5.4 rubles) is used in settlements for centralized deliveries from abroad of goods paid for by the government out of the state budget, and also in selling hard currency as per diem allowances paid to the Russian Federation's civil servants who go on business trips abroad.

Besides, there are many other currency exchange rates set by bilateral agreements with individual countries for rescheduling foreign debts and for clearing payments (with checks deposited with the banks set off against each other). Certain hard-currency hotels have set their own exchange rates on which charges for the services they render (such as long-distance telephone calls) are based. In making traditional transactions, traders calculate the currency exchange rate in accordance with the "rubles-hard currency-commodities-rubles-hard currency" formula with a view to finding out which exports and imports return enough after-tax profit.

Attempts at unification

No monetary system can be stabilized in a situation where different currency exchange rates exist, each influenced by certain factors. Aware of that, the Russian government pledged itself, in a memorandum on its economic policy presented to the International Monetary Fund late last March, to introduce a uniform exchange rate which calls for a currency stabilization fund. The government intended to adopt two rates of exchange before April 20, 1992, as the first step towards the uniform rate.

The government wanted a floating exchange rate to be used in all current operations including the transfer of interest payments and dividends, and the permanent exchange rate – in the movement of capital. When the floating exchange rate gradually approaches the permanent one, they will merge into one fixed currency exchange rate. Enterprises will be obliged to sell all their hard currency earnings, in exchange for which they will be free to buy, at a fixed rate, as much hard currency as they need for their activities.

It follows from the latest government statements that a uniform floating hard-currency exchange rate to be used in current transactions (about 80 rubles to one US dollar) will be introduced on July 1, to become from August 1 a fixed rate with maximum permissible deviations of 15 percent. There will be no special investment rate, and lest foreigners should buy up Russian property cheap, the latter will be revaluated, and all the ruble prices raised.

As to the hard currency resources owned by private individuals, the Russian Federation's law "On Currency Regulation," still not passed by parliament, is supposed to stop the galloping dollarization of the country. Those now drawing hard-currency payments from joint enterprises and foreign companies are in for a bad shock: all such payments, plus the practice of certain shops, bars, restaurants, hotels and car service stations accepting hard currency only, will be banned.

If we are to preserve and strengthen the ruble and make it convertible, all the settlements inside the country should be made in rubles only. In the USA, for instance, you are not supposed to pay for your purchases in Deutsche Marks or pounds sterling. You have to exchange them for dollars first in any bank or exchange office. In our country, anyone should have a chance to acquire any amount of foreign currency, but he will need it only if he goes abroad. Back home, he will have no chance to use the foreign currency he brings along, unless he exchanges it for rubles. The same rule should apply to foreigners and be guaranteed not so much by a system of administrative bans which will only result in a "black market development," as by a clear-cut system of economic stimuli and, above all, by a realistic hard-currency exchange rate.

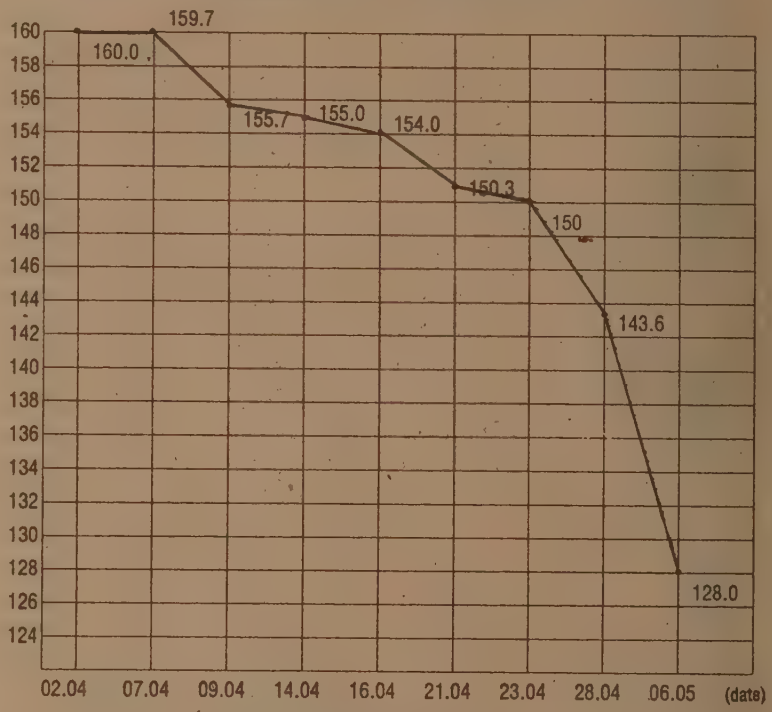
Alexei Kireyev,
D.Sc. (Economics)

The ruble getting stronger

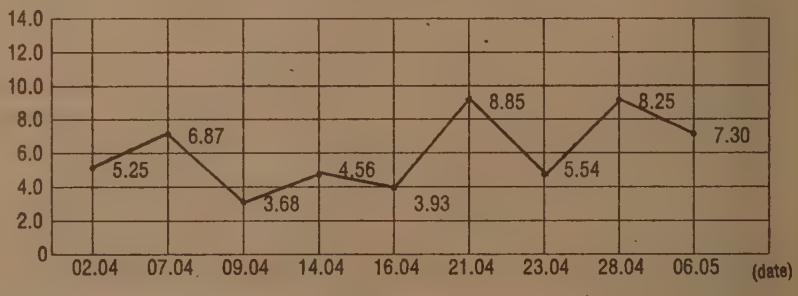
Routine tenders were held at the Moscow Inter-Bank Currency Exchange on May 6, 1992.

- The tenders were attended by 20 banks.
- The US dollar exchange rate stood at **128** rubles to one dollar.
- A change in the exchange rate as compared with the previous tender constituted **156** points(–10.86%).
- **7** million **300** thousand US dollars were sold.
- A change in the volume of sale constituted **950** thousand dollars (–11.51%).
- Initial demand: **6** million **470** thousand dollars.
- Initial supply: **11** million **860** thousand dollars.
- The difference between demand and supply constituted **5** million **390** thousand dollars.

Dynamics of the US dollar exchange rate over the past four weeks at the MIBCE tenders (ruble to dollar):



Dynamics of changes in the MIBCE tenders turnover over the past four weeks (million dollars):



Says Yevgeny Afanasyev, Chief of the Currency Market Department:

"Since the end of January, 1992, the ruble exchange rate at the MIBCE tenders has been rising steadily. This is due, on the whole, to the policy of Russia's government and Central Bank aimed at strengthening the ruble. In the coming month, the ruble exchange rate will keep its upward tendency."

The MIBCE information service

High-risk operation

Financial Times correspondent in Moscow comments on the government plan towards full convertibility of the ruble

Just as a national currency is one of the main symbols of statehood, then its health is often seen as reflecting a nation's prestige. Transforming the ruble into a real currency like the dollar or deutsche mark – as it was before World War One – should in theory be good news for the Russian people.

But the Russian government's announcement of ambitious plans to make the ruble internally convertible this summer raised more questions than it answered.

With most practical details of the plan still undecided, the primary significance of the announcement was political. Mr Konstantin Kagalovsky, Russia's representative at talks with the International Monetary Fund, was obviously anxious to tell the people that there would be concrete benefits from Russia's accession to the Fund two weeks ago.

Membership of the West's most powerful financial institution was a condition for Western governments to pledge $6bn to help stabilize the exchange rate. Stability is crucial for convertibility because currency's users must have some faith that it will be worth tomorrow roughly what it was yesterday. Convertibility in turn is an essential part of integrating Russia into the world economy after seven decades of isolation.

Mr Kagalovsky's desire to quell suspicions that IMF membership meant capitulating to some Western diktat was only too clear when he began listing the other benefits. At the top of his list was a claim that with a seat on the Fund's executive board, Moscow could exert pressure on poor African countries to repay debts owed to the former Soviet Union. This was clearly more populistic than realistic – but it did not matter. It was only for public consumption.

Economically speaking, there are big question marks and differences over what happens next. The terms under which Russia will be able to draw on the $6bn stabilization fund have now to be negotiated with the IMF and Western governments, who are anxious that the money should not be wasted. The danger is that the money will simply be devoured within weeks if Russia tries to defend the ruble by selling the dollars at an unrealistic exchange rate.

Mr Kagalovsky was probably overoptimistic over how quickly the money could be used. He suggested this would happen from August 1, a month after the ruble is set free to find an exchange rate at which it could be stabilized. Western experts, however, say the ruble might have to float for a few months without support to find a suitable exchange rate.

The government hopes for Rbs80 – up from Rbs128 to the dollar at present. But a lot will depend on the degree of control the government will have over inflation, the budget deficit and how far it will have achieved a more natural price system, and lifted remaining price controls as promised.

A lot of other things need to happen to make the plan work. If privatization speeds up and the purchase of land is allowed, then there will be more incentive to hold rubles because there will be something to buy with them. The government also has to find a way of encouraging enterprises to part with their dollars and not hide them. To make currencies internally convertible, governments usually make it compulsory for companies to sell all their dollars at a market rate. But the government knows that enterprises do not trust the state sufficiently to do that so it may have to find an alternative method to increase the supply of hard currency.

It is also going to have to crack down on the use of the dollar as a rival currency to the ruble within Russia and the other republics which decide to use the ruble as their currency. The government has also used its achievement of Western economic support for its reforms – no other former Soviet republic has received such pledges – to suddenly start calling the old Soviet ruble the Russian currency, which may be used by foreign governments if they meet tough conditions set by Moscow. In effect it will be up to the Russian government to decide how big a budget deficit and how much credit can be issued by individual republics.

Finally, it has to make progress on the psychological front to convince Russians and foreigners alike that its reforms have a chance of success. This is the most difficult part of the battle – which remains a high-risk operation but one still worth fighting for.

Leyla Boulton

Admire the capitalist

We so much want to become like the wealthy West!.. But how?
A fellow countryman living abroad gives some advice

When you read today's press from Russia, you are struck with the forced complexity and pseudo-scientific nature of the language, especially in articles about the most vital problems: the economy, trade, and production. The terminology is for the most part just borrowed from western journals and newspapers, only having been translated into Russian and is mostly an end in itself in playing at capitalism. The desire to look "exactly like the West" is amazing.

You see, it would be very nice to jump from one easy life to another, still better, just like changing flags. After the refreshing stormy meetings and long and painful fight, and having changed the government and terminology, the people are expecting that THIS will now bring them new well-being, food on the table, clothes and furniture, cars and "civilization" in general. They are suffering and waiting... "The West will help us. Come! Please! Explain it to us, teach us what to do."

Lilies of the valley in the USA and Russia

Come! But at the border we will shake you up like in the good old days. (That's only natural. Maybe you are bringing gifts and don't want to pay. Maybe you hope to make money on us, poor people, by adding 3 kopeks to your countless riches. No, fine fellows! There's no doing without customs. After all, new arrivals have to go through customs in your country too and the rules are very strict. That's that...) In short, everything just like in the West.

Then, staggering, we leave Sheremetevo Airport and step on firm ground. A free market, free market, free market – these are the most often used words. These words have been borrowed from the West and for some reason are only connected with large billion dollar deals, the stock exchange, joint-stock companies, banking, discounts, tax inspections, management and "imagement" (there is such a pearl in the imitation terminology). That's how complicated the West is, and how smart one must be to reach their level. And we already can use their obscure language. But not without reason it is said that even a wise man stumbles.

But, the main thing is that the great words of Gogol have been forgotten: "You should learn starting with a copek... You've got to love to work. And, believe me, it's not boring at all... That it's boring to work on a farm was made up... Someone who is self-employed has no time to get bored... And if you have a goal and see how things are going better and better, resulting in more and more fruits of your labour and income... I can't tell you what a pleasure it is... That was the first person in all of Russia that Chichikov felt respect for," and for the first time, we might add, stopped thinking about dead souls. This advice was given and would still hold on only one, of course, condition: on the inviolability of private property. The way of the hard worker and rich Kostanzhoglo is the way for Russia. There were a lot of hard working and rich Kostanzhoglos, but our literature ignored them. But there will be even more of them. Don't miss the boat, intelligentsia. And you, friends, should forget about dead souls, and begin from the beginning and not midstream. You must begin from below, from below. And fix in your head once and for all: "If you want to get rich fast – you will never get rich, but if you want to get rich not worrying about time, then you'll get rich quick."

However, let's return to our (and your) dull-witted. The free market, the very free market! ...How much are you reselling those lilies of the vally for, old woman? First of all, it's too much, and secondly at this rate there won't be any lilies left in our woods soon. Get off to the police department! You must pay a fine. Why, in the West they fight for nature conservation and have controlled prices.

The psychology of people being not free is the misfortune of Soviets. They don't trust and are suspicious of any free activity of each other and any human being in general – that's the ulcer which only a miracle could cure. Or, perhaps, a feat. A feat of enlightenment. "Well, you have courts, fines and prisons, yes, we do, too. But that isn't the basis for a society.

Shall we rebuild from bottom up?

Let's look at things very simply. In old Russia (before the revolution) the foundations of society were laid since time immemorial, society gradually advanced due to the endeavour of certain individuals who were most talanted, enterprising, bold and strong (capable of guiding all the others), not limited by any rules, charters or laws. They became leaders and the nobility. The goal of introducing rules and limitations at first was always the natural wish to help and support the strong and energetic, not hinder, disrupt, or fine success, wealth and initiative. Only the hopelessly compassionate and incurably near-sighted twentieth century introduced a mass system of taxes under which people who have achieved something in life have to support the losers or the incapable and unwilling to work. This might be morally very praiseworthy, but, don't forget, it's a big burden too, and not the moving force of progress. For, let me repeat, the moving force of progress is the initiative of the outstanding (big and small) people encouraged by a maximum of personal freedom in conditions of merciless competition, and inviolability of the attained results.

Actually, conditions of merciless competition form a higher and more valuable morality than that of regular and regulated mutual assistance from without. And that's the heart of the matter. And a seeming paradox. For the death of even one unlucky wretch due to hunger or cold, a real death, so frightens the rest that it saves thousands of people from slow (or fast) death. (If only they haven't been depraved by some morality or religion preaching idleness). Look at this dead person, if you want, like a necessary sacrifice in order to save all the rest.

Fear is the best teacher on earth. Thousands of people will completely realize, and no jokes here, that in this life, on this planet under this sky, passiveness is dangerous – you must be active and work in order to survive: work with either your hands, feet, or back but always with your head. Of course, someone who has slipped

should be helped up, but it is harmful to help someone who keeps slipping, even for himself. And therefore it is immoral. In other words, don't sit at home, don't wait, but use your brains, call to mind your friends and relatives, look through newspapers. Think up some way to make money: maybe go to the south or the north and buy some turnips at a cheaper price, then sell them for more, and with the money made go and buy some more. At least grow some green onions on your windowsill, and sell them, or knit a sweater and sell it – but don't sit doing nothing. Begin with small things, and work away until they have become something big.

Isn't this a higher morality than to procreate (justifying it by the industrial revolution) to a million-strong army of the professional unemployed, simulators and loafers breeding and encouraging generations of inert people becoming a mere vegetable, right up to rotting alive from their idleness on the corners of New York streets (in spite of the abundance of all types of good and widely advertised help), Bombay and Moscow too, where it is hardest of all.

The prices are also stupid sometimes

You can't begin building a society of free enterprise by introducing bans and limitations just as you can't begin building by starting with the eaves, decorations and additional stories. The skeleton, foundation and construction – all the might of the western (and eastern) developed countries was (and continues to be) laid and erected in periods of minimal government interference in the affairs of the citizens, fierce competition, and cheap labour force, i.e., "merciless exploitation." Trade unions, taxes and accounting to the government, unemployment benefits, social allowances, etc., are all decorations and upper stories which have taken on such ugly dimensions that they sometimes shake the sturdy building of capitalism. That almost happened in England. Margaret Thatcher saved the country just in time. This is threatening (though delayed by Reagan) more and more such a recently economically powerful country as the USA where it has become difficult for businessmen – there are too many obstacles. And on the contrary, the new economic giants are even tiny countries where the work force is cheap, there aren't any trade unions, insignificant taxes and the government only provides freedom and safety and does not interfere in the peoples' affairs: Taiwan, South Korea, and Singapore. Just think, the counters in stores all over the world are overflowing with excellent quality goods made in tiny Taiwan.

And in the end, even the "most merciless exploitation" of the passive masses means to win: these countries reach such a level of prosperity (there's no inflation: the work force is cheap and therefore all is cheap and there is an abundance of everything), that only those remain poor who specially devote their lives to being so (yes, there are such and there will always be).

The constant concern about the general well-being is terrible not only because a person never thinks about himself, that is about what he is a great expert in, this constant concern is profane, it creates imaginary enemies even when something is useful. Russians are doomed until they understand the difference between speculating and thievery, for example, or ambition and careerism, or personal wealth and mass-scale embezzlement.

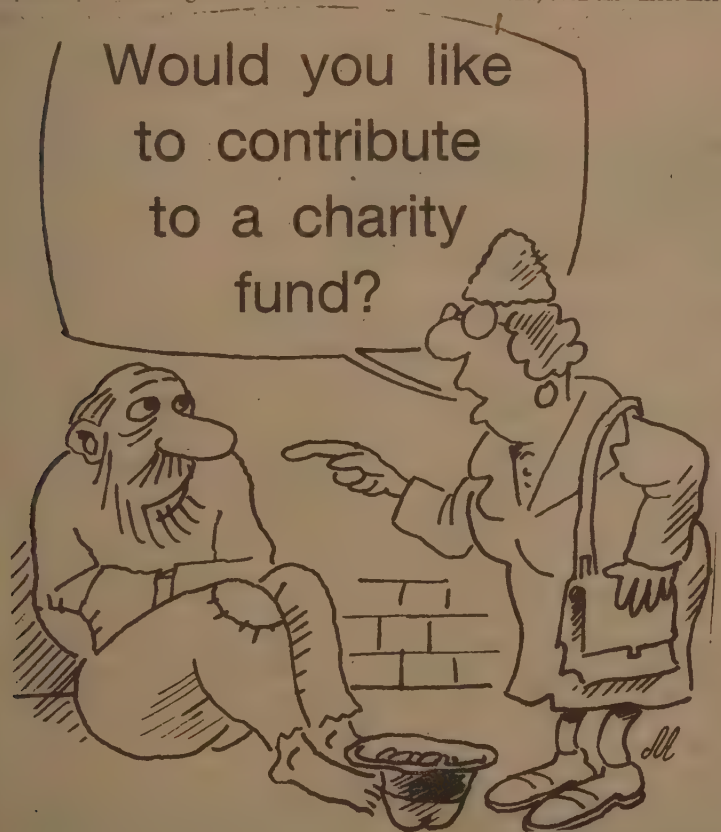
The word "speculation" still carries a negative connotation in Russia. Why? The whole economy of the West is built on speculation (in translation it means to "use one's brains and suppose"). To buy something cheaper and sell it for as much as possible: three times, ten times higher – the more the better. So what? If you don't like it, don't buy it. No one is making you. That fills the market with goods and helps develop competition and that means, naturally, to eventually bring the prices down. But when we, emigrants in America, having lived there 10-15 years see prices in one store higher than in any other (and sometimes they are 3, 5 or even 10 times higher) we curse "swindlers" under our breath, though we well know that they are not swindlers. The old morality still has a grip on us. The native American uses the word "absurd" or "stupid" and calmly buys in some other store where the prices are lower, if he has time to shop around.

Having travelled around the world and compared, I am convinced that Russians not only are no less but even more imaginative, daring and clever than others. And they could excel all if given the chance to. The borders must be opened, and there must be total freedom to do foreign trade. Like before the revolution Russians must study and compete. Protectionism should be forgotten. Only free competition!

Those who are in stride with the laws of Nature will be successful, become wealthy and have earned a real Triumph. And if from its height they find in themselves the additional generosity to share their secrets with all the rest – this is fine. We must set our sights on them – the strong, healthy, happy and successful. We must learn from them, imitate them and follow them, these concrete people and not abstract ideas. That's what the press must go in for. That's how society must live. Then it will advance. And that is extremely interesting.

Mikhail Katok

NEW YORK



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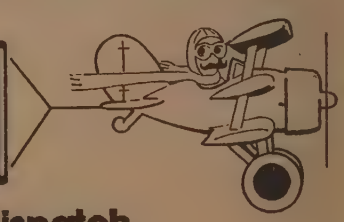

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INTERIM PROVISIONS FOR THE IMPORT OF FOREIGN GOODS INTO THE RUSSIAN FEDERATION AND EXPORT OF RUSSIAN GOODS FOR PROCESSING IN A FOREIGN COUNTRY, AS WELL AS GOODS EXPORTED UNDER INTERNATIONAL PRODUCTION COOPERATION AGREEMENTS

Pursuant to the December 31 ruling of the government of the Russian Federation No.90 "On Licensing of and Quota-Fixing for the Export and Import of Goods (Works, Services) into and out of the Territory of the Russian Federation in the Year 1992," the following procedure shall apply to the import of foreign goods into the Russian Federation and the export of Russian goods for processing in a foreign country, and the export and import of goods under international production cooperation agreements:

1. Foreign goods shall be imported into the Russian Federation in accordance with the "Procedure for Customs Examination of Foreign Goods Temporarily Imported for Processing on the Territory of the Russian Federation" (Appendix 1).

2. The import of Russian goods to be procerssed abroad, as under international production cooperation agreements, shall be in conformity with the "Provisions for the Customs Examination of Goods Temporarily Exported to Be Processed Abroad" (Appendix 2). Goods subject to quotas and licensing can be exported only after territorial trading and mediation companies of the Russian Federation's Trade and Material Resources Ministry have confirmed the quotas. The regional officers of the Russian Federation's Ministry for Foreign Economic Ties issue, on their own authority, appropriate export licenses based on these quotas.

3. The Russian Federation's State Customs Committee shall maintain a united republican data bank of agreements concerning the temporary import and export of goods to be processed, as well as that concerning international production cooperation. Information will be available by request to the interested ministries and agencies of the Russian Federation.

4. Should violations of the procedures mentioned in items 1 and 2 be uncovered, customs bodies shall collect from enterprises export and import duties that are not subject to appeal, as well as apply sanctions in conformity with the Russian Federation's Customs Code.

5. It should be recognized as expedient to charge the State Customs Committee of the Russian Federation with the creation of an interdepartmental working group to develop and submit proposals on international production cooperation regulation.

Russian Federation Minister for Foreign Economic Ties P.Aven
Chairman of the State Customs Committee of the Russian Federation A.Kruglov

Appendix 1

PROCEDURE FOR CUSTOMS EXAMINATION OF TEMPORARILY IMPORTED FOREIGN-MADE GOODS FOR PROCESSING ON THE TERRITORY OF THE RUSSIAN FEDERATION

Definitions

For the purposes of these Provisions:

a) the term "termporary import of foreign-made goods for processing on the Russian territory" shall describe the customs procedure under which foreign-made goods may be temporarily imported to the Russian territory duty-free or, at the discretion of the customs bodies, with the payment of customs duties to be refunded upon export of compensatory goods;

b) the term "import duties" shall describe customs duties along with all other duties, taxes and payments collected in connection with the import of foreign-made goods, except for fees for the issuance of documents;

c) the term "compensatory goods" shall describe goods produced as a result of the processing of foreign-made goods temporarily imported from abroad to the territory of the Russian Federation;

d) the term "foreign goods" shall describe goods imported into the customs territory of the Russian Federation from abroad (hereinafter referred to as goods);

e) the term "person" shall describe both physical and juridical persons;

f) the term "processing of goods" shall describe the following actions:

– processing of goods;

– treatment of goods, including their assembly;

– adaptation or repair of goods, including their restoration;

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– full or partial use of certain goods, facilitating the production of compensatory goods;

g) the term "goods for free circulation" shall describe goods allowed to cross the customs boundary of the Russian Federation that may be disposed of without permission of customs bodies.

I. GENERAL

1.1. The temporary import of goods to be processed and the export of compensatory goods shall not require licensing by the Russian Federation's Ministry for Foreign Economic Ties.

1.2. A person temporarily importing goods for processing or his agent shall submit in advance two copies of a written statement according to the established form of the Russian Federation's customs.

1.3. Three copies of a permit for the temporary import of goods to be processed shall be issued by the customs house that has jurisdiction over the region in which the goods are processed. The permit may be revoked at any time, should:

– the statement contain incorrect data;

– the temporary import procedure be abused.

1.4. A permit for the temporary import of goods to be processed shall be issued to persons registered in due order on the customs territory of the Russian Federation.

1.5. The customs house decision regarding a request for the temporary import of goods to be processed on Russian territory shall be presented in writing to the interested person within 30 days.

1.6. Customs bodies shall have the right to inspect processing enterprises for the presence of temporarily imported goods and require that the enterprise management present warehousing, financial and technological documents covering the recording and processing of such goods.

1.7. Customs bodies shall permit the temporary import of goods to be processed only if they can be identified as compensatory goods.

1.8. At the request of the owner of goods, the procedure for the temporary import of goods to be processed, with the permission of customs bodies, may be extended to cover foreign-made and Russian goods undergoing transit in a free customs zone or free customs warehouse.

1.9. Customs bodies shall not have the right to refuse to treat goods under the procedure of temporary import of goods to be processed depending on the country of origin of goods, country of departure, or country of destination thereof.

1.10. The length of stay of goods temporarily imported for processing shall be set by customs bodies on a case-by-case basis, depending on the nature of processing operations, but not longer than 1 year.

1.11. Upon consultation with the Russian Federation's Economics Ministry, a customs house can issue a general permit valid for up to three years to a person who continuously conducts the temporary import of goods of the same kind for the same type of processing.

1.12. Compensatory goods which are produced from a processor's raw materials having identical specifications may be delivered in advance, with the subsequent compensation with an identical foreign raw material imported for processing.

1.13. Acting on a case-by-case basis, customs bodies shall consult with experts to set the standard for consumption of compensatory goods in various operations for the processing of temporarily imported goods.

Should differing opinions exist, customs laboratories shall make final decisions concerning the standard of consumption of compensatory goods.

1.14. With the consent of a customs body, the owner of goods imported under the procedure for temporary import of goods to be processed may transfer ownership of the imported goods and compensatory goods to another person, on the condition that the latter assumes all obligations of the owner.

1.15. At the request of the owner of goods treated under the procedure for the temporary import of goods to be processed but not actually processed, customs bodies shall permit their export abroad.

1.16. If goods or compensatory goods are permitted for free circulation within Russia's customs territory, they shall be subject to import duties. The date of treating these goods under the procedure for temporary import of goods for processing shall be regarded as the date on which the cost and quantity of the goods declared for free circulation is determined.

1.17. In case of a loss of goods or irreversible loss of their quality as a result of a disaster, force majeure, or other circumstances, goods that are temporarily imported for processing or compensatory goods shall not be subject to import duties, on the condition that the fact of their loss or the loss of quality thereof is duly certified in accordance with the requirements of customs bodies. In this case, the customs dues paid earlier shall be refunded.

1.18. Any wastes left behind after the loss of goods or compensatory goods, in the event of their release for free circulation on Russia's customs territory, shall be subject to import duties applicable to import of such wastes.

1.19. Goods that are temporarily imported to be processed, as well as compensatory goods lost or stolen within the customs territory of the Russian Federation shall be subject to import duties, and import duties earlier deposited with a customs house shall not be refunded.

1.20. Import duties paid in advance or during the customs clearance of temporarily imported goods shall be calculated in accordance with the tariff scale effective on the date when these goods physically cross the customs boundary of Russia. General rules for the application of the Russian Federation's customs tariff shall apply in this case.

II. MEASURES OF IDENTIFICATION OF TEMPORARILY IMPORTED GOODS AND EXPORTED COMPENSATORY GOODS

2.1. To identify goods that are temporarily imported for processing, as well as exported compensatory goods, a customs body may apply to these goods various customs clearance tools in the form of seals, stamps, marks, numerical, and other markings. The use of a description of goods, their scaled-down representation, photographs, samples, and the examination of documents of the owner of goods shall be allowed.

III. CUSTOMS CLEARANCE OF TEMPORARILY IMPORTED GOODS FOR PROCESSING

3.1. Goods temporarily imported shall be cleared by the customs house nearest to the place of processing and issued the permit for the processing procedure.

3.2. Goods shall be cleared through customs on condition that:

– a permit from the customs house management is presented for the use of the procedure for the temporary import of goods;

– import duties are deposited with the customs house, or a decision of the customs authority is presented to the effect that

foreign goods are duty-free throughout the period of their temporary stay in Russia;

entries are duly formalized;

imported goods are made available for inspection and identification.

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IV. CUSTOMS CLEARANCE OF IMPORTED COMPENSATORY GOODS

4.1. The customs clearance for the export of compensatory goods shall be given by the customs house that issued a permit for the procedure for the temporary import of goods for processing and that monitored its observance, on condition of the presentation of the following:

– customs permit for the temporary import of goods for processing;

– duly formalized entry authenticated by customs at the time goods are treated under the procedure for temporary import;

– duly formalized entry for the export of compensatory goods abroad:

– compensatory goods for inspection and identification, and a check of compliance with conditions outlined in the permit for the temporary import of goods for processing.

4.2. Should the owner of the compensatory goods violate conditions outlined in the permit for the temporary import of goods, the customs house makes up a protocol stating that a violation of customs rules has taken place, and a decision regarding this shall be made.

V. FINAL

5.1. Customs duties shall be refunded only after:

– completion of the temporary import procedure, in conformity with the terms for a permit mentioned in item 1.3;

– the receipt of confirmation from the border customs house of the import of compensatory goods abroad.

5.2. The import of foreign goods from abroad and the export of compensatory goods abroad shall be monitored under the "Instructions on the Procedure of Customs Clearance of Goods and Other Objects Carried Between Customs Houses."

5.3. An entry shall be formalized in accordance with set rules.

Appendix 2

PROCEDURE FOR CUSTOMS INSPECTION OF RUSSIAN GOODS TEMPORARILY EXPORTED FOR PROCESSING ABROAD

Descriptions

For the purpose of these Provisions:

a) the term "temporary export of Russian goods for processing" describes a customs procedure under which Russian goods can be exported abroad duty free or, at the discretion of customs authorities, with payment of export duties to be refunded following the import into Russia of compensatory goods;

b) the term "export duties" describes duties collected in connection with the export of Russian goods abroad;

c) the term "Russian goods" describes goods originating in the Russian Federation that are temporarily exported for processing abroad;

d) the term "compensatory goods" describes goods produced through the processing of temporarily exported Russian goods abroad;

e) the term "person" describes both physical and juridical persons;

f) the term "goods processing" describes the following actions:

– processing of goods;

– treatment of goods, including their assembly;

– adaptation or repair of goods, including restoration and a return to working order;

– full or partial use of Russian goods facilitating the production of compensatory goods.

I.GENERAL

1.1. Russian goods shall be temporarily exported abroad for processing in conformity with the Russian Federation's legislation and these Provisions.

1.2. A person interested in the temporary export of Russian goods for processing abroad or his agent shall be obligated to file in advance two copies of a written statement, according to the established form, with the customs house that has jurisdiction over the region in which this person is registered.

1.3. Three copies of a permit for the temporary export of Russian goods for processing abroad shall be issued by the customs house that considered the statement mentioned in the preceding item.

A permit may be revoked at any time, should:

– the statement contain incorrect data;

– the procedure for temporary export be abused.

1.4. A permit for the temporary export of Russian goods for processing shall be issued to persons registered in due order on the customs territory of the Russian Federation.

1.5. A permit for the temporary export of Russian goods to be processed abroad may be denied to an interested person, should the Russian Federation's Economics Ministry decide that this may cause damage to the Russian economy, or if compensatory goods cannot be identified.

1.6. A permit to temporarily export Russian goods for processing abroad cannot be denied on the basis of the country where the goods will be processed.

1.7. The customs decision regarding an application for the temporary export of Russian goods for processing abroad shall be brought to the notice of the interested person in writing within 30 days.

1.8. Acting on a case-by-case basis, the customs house shall set the standard of consumption of goods used in each operation of processing temporarily exported goods. Should differing opinions exist, the customs laboratories shall make final decisions concerning the standard of consumption of compensatory goods.

1.9. Compensatory goods may be imported into the customs territory of the Russian Federation not later than 1 year to the day of issuance of the permit for the export of Russian goods abroad.

Customs authorities may extend this period following a request from the owners of Russian or compensatory goods, should they consider the request well grounded.

1.10. The shipment of Russian and compensatory goods on the customs territory of the Russian Federation shall be subject to the "Instructions for the Procedure of Customs Clearance of Goods and Other Objects Carried Between Customs Houses."

1.11. Entries shall be formalized in accordance with set rules.

II. MEASURES TO IDENTIFY EXPORTED RUSSIAN GOODS AND IMPORTED COMPENSATORY GOODS

To identify Russian goods temporarily imported for processing abroad, as well as compensatory goods, customs authorities may apply to these goods various customs clearance tools in the form of stamps, seals, marks, numerical and other markings. The use of a description of goods, their scaled-down representations, drawings, photographs, the collection of samples, and the examination of documents of the owner of the goods shall be allowed.

To identify compensatory goods, customs authorities may use certificates of origin of goods and commercial documents covering the operation performed on these goods abroad.

Customs laboratories shall provide final decisions concerning whether compensatory

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goods are the product of processing of Russian goods abroad.

III. PROCEDURE FOR CUSTOMS CLEARANCE FOR EXPORT OF RUSSIAN AND IMPORT OF COMPENSATORY GOODS

a) Russian goods

3.1. Russian goods that are temporarily exported abroad shall be cleared by the customs that issued the permit only upon presentation of the following documents:

– a bank document transferring customs duties to the customs account, or a decision of the customs authority which, on certain conditions, may exempt the applicant from payment of duties over the period of authorized temporary export of goods;

– a licence of a regional officer of the Russian Federation's Ministry for Foreign Economic Ties authorizing the export of goods subject to quotas;

– duly formalized entries. The owner of the goods shall receive one copy of entry certified by customs;

– declared goods for inspection and identification.

3.2. Entries for the export of goods abroad shall be cleared through customs in accordance with the Russian Customs Authority, following verification of documents and the examination and identification of goods.

b) Compensatory goods

3.3. At the discretion of the owner (agent), compensatory goods arriving from abroad shall be cleared by the border customs house in accordance with the procedure of the Russian Customs Authority for delivery to the customs house nearest to the place of discharge of goods, so as to decide whether compensatory goods should be allowed for free circulation or placed under a different customs procedure.

3.4. A customs house releases compensatory goods for free circulation upon fulfilment of the following requirements:

– presentation of a copy of entry authenticated by the customs house that formalized the export of Russian goods;

– presentation of a duly formalized imported goods entry;

– customs permit for the temporary export of Russian goods for processing;

– presentation of compensatory goods for inspection and identification, and the verification of compliance with the terms of the permit for the export of Russian goods for processing;

– the payment of customs duties, should they be established.

3.5. The customs house that formalized the release for free circulation of compensatory goods shall authenticate the original of the imported entry, and deliver it to the owner of goods for him to close the procedure of temporary export of Russian goods abroad at the customs house that began the procedure.

Should the owner of compensatory goods violate the terms of the permit issued for the temporary export of Russian goods, the import entry shall be authenticated with a proviso from a protocol stating that a violation of customs rules has taken place. A decision on the protocol shall be made by the customs house that started the procedure for the temporary export of goods for processing abroad.

IV. EXPORT DUTIES

4.1. Export duties shall be transferred in advance or deposited on the day of examination with the customs authority that clears the temporary export of Russian goods for processing abroad.

4.2. The maximum period for depositing export duties shall be set at three years; duties that are not received within this period shall be transferred to the republican budget and shall not be refundable.

4.3. Export duties shall be refunded following the import of compensatory goods and their customs clearance, should all terms be met for the issue of a permit for the temporary export of Russian goods for processing abroad.

4.4. Customs duties on compensatory goods shall be calculated in accordance with the Customs Tariffs of the Russian Federation.

4.5. Should Russian goods not undergo processing abroad, customs authorities may allow the import of such goods, granting a refund of the prepaid export duties at the request of the owner of the goods or his agent.

DECREE OF THE PRESIDENT OF THE RUSSIAN FEDERATION

On the struggle against corruption in civil service

Corruption in bodies of power and government infringes on the constitutional rights and interests of citizens, undermines the foundations of democracy and law and order, discredits the operation of the state apparatus, perverts the principles of legality, and impedes economic reforms. To step up the struggle against this dangerous phenomenon, and pending passage of a Law on Civil Service in the Russian Federation, I hereby rule:

1. Heads of the bodies of power and government in the Russian Federation shall attest, during the year 1992, to all civil servants doing their utmost to strengthen the state apparatus and improve work to select, train, and place cadres, as well as to fight corruption.

2. Civil servants shall be prohibited from:

engaging in entrepreneurship;

rendering any aid, not provided for by law, to physical and juridical persons using their powers of office for entrepreneurship, and obtaining compensation, services or benefits;

carrying out other paid work as spare-time jobs (with the exception of scientific, teaching or artistic work), or being engaged in entrepreneurship via middlemen, as well as serving as an agent of third parties for the affairs of the state body at which he is employed;

participating, in person or via an agent, in the management of joint-stock companies, limited liability partnerships, or other business entities.

The violation of the above requirements shall be penalized by dismissal from the occupied position, and shall involve other liabilities under the legislation in effect.

3. Civil servants, prior to appointment to a position of leadership, shall be obliged to fill in a declaration concerning income, real estate, personal property, bank deposits, securities and financial obligations. Failure to present this information or a deliberate misrepresentation thereof ; or the presentation of false or distorted information, shall constitute grounds for refusal to appointment to office.

4. Within a three-month period, the government of the Russian Federation shall:

make, in due order, proposals for the provision of a safety net for civil servants, including the creation of normal work conditions, the porovision of social and medical services, and the rates of compensatory payments commensurate with the conditions of the free market (free economic relations) and the regime of civil service;

form an extrabudgetary fund from disbursements from the marketing of values and objects seized on the basis of court decisions and other legal exactions. Disbursements from the fund shall be made to develop the facilities and social sphere of courts, Interior Ministry bodies, security structures, the procurator's office, the State Committee of the Russian Federation for Anti-Monopoly Policies, and for the support of new economic structures and other bodies of state management;

submit to the Supreme Soviet of the Russian Federation proposals for the introduction, in connection with the passage of this Decree, of corresponding amendments and changes to the legislation in force.

5. Control over the implementation of this Decree shall be granted to the Control Department of the Administration of the President of the Russian Federation.

6. Under item 3 of the ruling of the Congress of People's Deputies of the Russian Soviet Federative Socialist Republic as of November 1, 1991, "On the legal support of the economic reform," this Decree shall be sent to the Supreme Soviet of the Russian Federation.

President of the Russian Federation
Boris Yeltsin
Moscow, Kremlin, April 4, 1992

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Taxation policy for 1992: getting out of the spin

A Work Center for the Economic Reforms was created at the end of 1991 under the government of the Russian Federation. Two of its tasks are to analyze the economic policy of the government and inform the public of the goals and course of the economic reform

The law adopted by the government of Russia setting a 60 percent income tax for foreigners living in Russia caused a nervous reaction in foreign business circles. The government's tax policy has also evoked quite a bit of criticism inside the country. What is the reasoning behind the policy and what are the prospects?

The avalanche of growing negative processes in the economy of the former USSR at the end of last year has come to the inevitable finale – it has gone into a deep spin. The difficulties have grown like a snow ball rolling downhill. The sharp growth of subsidies to enterprises, the rise in purchasing prices on farm produce in fall of 1990 and the wholesale prices on industrial products from January 1991, and the expansion of social programmes and other budget allocations turned into an unprecedented state budget deficit which destroyed the remainder of the ex-USSR's financial system.

All attempts to find levers which would permit avoiding a catastrophy failed. The government didn't succeed in balancing the budget revenues and expenditures by introducing additional taxes (on sales and on wages), raising the rate of assessment for social security to 26 percent, 20 percent charge against depreciation allowance, or introducing mandatory sale to the state of part of the currency proceeds by the exporters. The situation was worsened by the fierce "war of laws" between the Center and the republics. The legislative organs and governments at all levels were far from governed by economic reason and made decisions that would not help stabilize the state budget but did just the opposite.

The steady decline in production hung on the state finances like pound weights. The national income in 1991 went down in Russia and Ukraine by 11 percent in comparison to 1990, and in Kazakhstan by 10 percent. The volume of industrial production in the CIS countries fell 7.8 and in agriculture – 7 percent. There were 32 percent fewer exports from the CIS in 1991. Imports went down 43.9 percent and retail turnover 7 percent.

The reform of retail prices undertaken by the government of the USSR in April of last year in order to increase the tax revenues of the budget turned out to be ineffective. By that time the administrative system of control over incomes and prices had already completely degraded. The uncontrollable increase in people's incomes canceled any possible positive influence of the price reforms on the budget crisis.

The financial chasm that had evolved at the turn of 1991 and 1992 was downright frightening. The deficit of the union budget reached 119.6 billion rubles (taking into consideration the all-union extra-budget funds for stabilizing the economy). The budget deficit of Russia reached 109.3 billion rubles.

That's when it became very clear that an overall immediate economic reform was necessary. The liberalization of prices on many items at the beginning of 1992 was the first partial measure of an extreme nature to prevent a catastrophy. But it only had a limited effect.

Along with the liberalization of prices other attempts to heal the economy were undertaken – a tighter budget and monetary policy as well as the tax reform. Under it the share of mandatory taxes was raised in comparison with the level in the USSR in 1988-90; indirect taxation increased – that would provide stable income into the budget along with the growing prices – and equal conditions of taxation created for the economic agents of all forms of property.

According to the draft of the consolidated budget of Russia for the first quarter of the current year its main sources of revenues will be the added value tax (30 percent of the budget revenue or 14 percent of the GNP), income from foreign trade activity (44 percent of the budget revenue or 20 percent of the GNP), and taxes on the profits enterprises make (13 percent of the budget or 6 percent of the GNP). The taxes will rise on the whole to 50 percent of the GNP in this manner.

It was O.K. on the paper

But, unfortunately the government didn't succeed in quickly and entirely realizing the planned growth of revenues into the budget. The results of the first quarter of 1992 failed to meet the hopes of the authors of the reforms. The revenues from the VAT came to 98.6 billion roubles or 63 percent of the expected sum. The scale of the fall of production and demand, the increasing of deffened payments due to lack of money (by the 20th of March there were 676 billion rubles worth of deffered payments), the lowering of tax rates on certain activities and products turned out to be higher than predicted. True, in March the revenues from the VAT increased and reached the planned targets (54 billion rubles) for that month. The revenues from personal income taxes (33.2 billion rubles) also exceeded the planned amounts which, however, was caused by a greater growth in people's incomes than expected. That gives grounds for limited optimism.

The profit tax brought more revenues into the state budget than expected – 104.4 billion rubles , but that is no reason for joy either: it was raised in the first quarter as advance payments, and also as revaluation of accounts receivable for the previous year.

The picture regarding the revenues from foreign trade activity is nothing to jump up and down about either. But there is a reason for this. The exporters were granted a two month postponement of payment of export duties since they had no foreign currency. Moreover, a significant part of the export deliveries and also separate regions were granted export tariffs abatement.

In the current year the Russian government plans to make the rate of taxation in Russia (55 percent). That is much higher than in the ex-USSR (in 1985-86 it was 45 percent, in 1991 – 38 percent) and in the developed countries (in the USA and Japan it

is about 30 percent of the GDP), and in the Common Market countries where it is 40 percent on the average. Therefore the current tax policy of Russia could be characterized as extreme. The Russian leadership realizes that the high taxes depress the activity of the economy. As a result the growth of revenues into the budget is less than the rise in the level of taxes. Nevertheless, world practice simply doesn't know any other way out of the financial crisis than higher taxes.

The situation is made worse since here the change of conduct of economic entities due to the state tax policy doesn't always fit into the classical macro- and microeconomic models. They are subject to the influence of such specific factors as the disintegration of economic ties between enterprises and regions, the reduction of centralized imports, etc. This distorts their conduct and takes it beyond the framework of the "usual." So, in spite of the fact that the tax on profits made by enterprises was reduced from 40 percent in 1990 to 27 percent in 1991, contrary to the prognosis, this wasn't accompanied by increased investment activity of enterprises.

There are also other factors weighing on the economic activity of enterprises. For one they are the high inflation (the index for retail prices in relation to the previous month was 4.82 in January, 1.75 in February and 1.28 in March), the uneven growth in prices on different goods, and the unpredictability of the dynamics of the interest rates.

Everyone realizes that the harsh tax policy is bitter strong medicine for inflation. If applied correctly it could facilitate the normalization of the economy and lower the rate of inflation to 10 percent a year. Until this effect is achieved, the government of Russia thinks, it does not make sense to ease the tax burden to stimulate the economic activity aimed at the structural reforms. This is confirmed in practice. Lowering the tax rates on the added value on a number of products in February of this year only led to a growth in the profits of the producers and traders, to a decline in revenues to the budget and did not bring about a lowering of prices.

There is one other factor in the current tax policy of the Russian government deserving special attention. Raising the level of taxation is based on the expansion of indirect taxes, mainly at the expense of introduction of taxes on the added value and excises (they bring in about 56 percent of the revenues into the budget). This is at a time when the size of the taxes including the direct taxes has gone down in comparison to last year. (For example the tax rate on profits decreased from 27 percent to 21 percent).

Drawing by Marat Tairov

It remains to begin and to finish

Of course, the first steps in reforming the Russian tax system have been taken, but the main work lies ahead. For one the export taxes must be reviewed. They now must be aimed at decreasing the volume of exports and slow down the internal price hikes to the world level while our industry adapts to the new prices for energy. It has been proposed that there will be a single taxation system for export of energy and raw materials and one set of customs tariffs. And the purchase of foreign currency for the foreign currency reserve is to be carried out at the current market exchange rate. Ahead is the extension of taxes to the added value of imports and the establishment of a single tax rate on food products.

The liberalization of prices on energy and the significant growth in connection with this of the incomes of the extracting enterprises of Russia imparts special significance to the introduction of taxes that would permit collecting rent from the exploitation of deposits of mineral resources belonging to the government.

In the opinion of the Work Center for the Economic Reforms of the Russian government, the system of direct taxes also needs to be perfected. In particular, the taxation of profits and incomes of individuals. It is characteristic of the recently adopted laws, unfortunatey, that a simplified approach has been taken to the determination of the base of taxes (gains minus losses, total income minus income not subject to tax). In a market economy of sliding prices it is necessary to make corrections taking into consideration the growth of the value of financial and material assets, the evaluation of reserves, and the formation of reserves. It is very necessary to take into consideration inflation which screws up the calculation of a progressive tax.

And of course, no economy can be called healthy that hasn't normally functioning local taxation. It must not be built on the decisions of officials, but on legal norms. To say that everything here is O.K. would be an exaggeration.

In spite of all the work remaining, errors and difficulties of the current government of Russia, there are grounds to believe that there is still a chance that our economy can be brought out of the spin.

(Based on material from the Work Center for the Economic Reforms of government of Russia)

Yves Rocher a la Russe

There are always a lot of people wishing to pay a visit to the Yves Rocher parlor at Tverskaya Street in Moscow.

Men's and women's hairdressers, a solarium, and a cosmetic parlor equipped with hundreds of gadgets, and skilled personnel ready to cater to your whims and put you right are to be found at Rocher. Those willing to pay in hard currency won't have to stand in the lizard-long line which stretches halfway down Tverskaya Street.

A carré haircut, in vogue this season, and snow-white bleached hair will cost you $14. Charming hairdressers armed with catalogues will help you to find your style.

Komstar: you're coming through!

For the first time in Russia, a digital telephone network has been set up. It was established in the Russian capital on the basis of the world's most powerful automatic telephone System X. System X is a product of the British company J.P.T. Ltd, victors in a competition for the Moscow contract. The potential of the new network was demonstrated at a presentation held at the Moscow President Hotel by the Russian-British venture Komstar, which works in partnership with the company Telecom.

The new system will use fiber optic cables and radiotelephone and international satellite communications. The network will first operate only in some Moscow areas, but expansion is planned. Komstar is one of the first JVs founded in this country.

Right choice

The Italian company Giacomo Bertocchi is a manufacturer of medical equipment, so conspicuously absent from our hospitals. The Urals has been chosen by this firm as the site of starting business in Russia. The decision was made only after a thorough study of Russia. Italians plan to operate using the facilities of a local maternity and child care institute in Yekaterinburg.

The Italians enlisted the cooperation of dozens of defence plants shifting toward civilian production to manufacture goods for both this region and other areas in the CIS. Bertocchi life-support systems for premature and weak babies will make it possible to slash infant mortality in the Urals.

Large deal

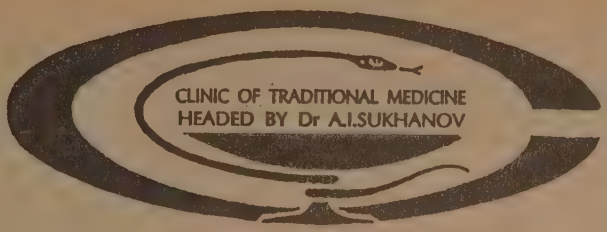
The Swedish company Axtrade East has signed a contract to deliver tobacco worth 10 m Swedish kronor to Moscow's cigarette makers. This is its tenth deal involving public and private companies in the CIS this year.

The company trades with Eastern Europe as well. In the fiscal year 1990/1991, its turnover was 788.4 m Swedish kronor, and the company imports more than its exports. The company sells to the CIS food, consumer goods, spare parts and components for cars, medical equipment and medicines. It imports such commodities as ferrous and non-ferrous ores, coal, timber; and oil products.

Russian securities for hard currency

The American company Blinder International Corporation, which engages in security operations on stock markets in many countries, has decided to enter the Russian securities market. It has been reported that talks have taken place in Moscow between the marketing information centre Menatep-Invest and the Blinder International Corporation on beginning joint operation.

The US company wants to market the securities of US and German companies via Menatep-Invest, and appraise the prospects of Russian securities on the Western market. At the first stage, securities will be sold for hard currency; later on, they may begin to be traded for rubles in accordance with the commercial exchange rate. But the Russian President's decree introducing quotas for the export of securities is an obstacle to their entry into the Western market.



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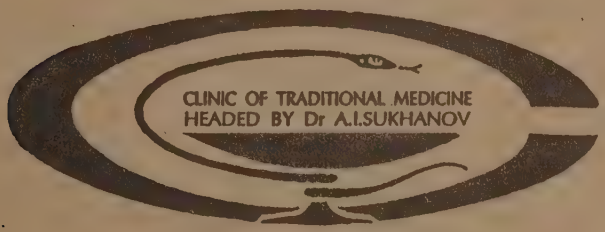


"He slandered in verse"

A former enemy of Soviet government, Georgy Ivanovich Yermakov lives with his daughter and grandson in a small flat on the outskirts of St. Petersburg. The flat belongs to his daughter. Yermakov also has his own dwelling – a room in a communal flat in another district of the city. But he does not like to stay alone: he feels his age and has heart trouble.

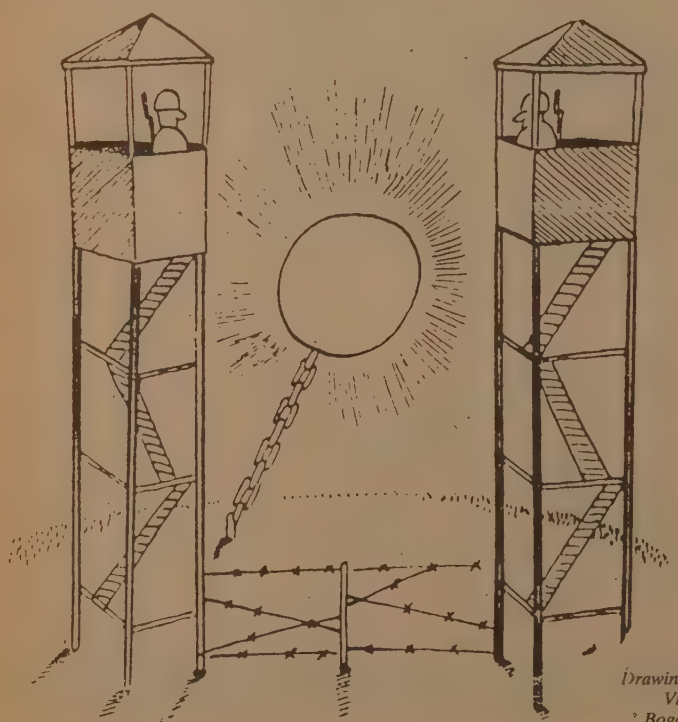
Georgy Ivanovich served two prison terms – eight years in camps, and one year in exile for "anti-Soviet agitation and propaganda." He was released five years ago. A former political prisoner, Yermakov shows little, if any, interest in politics.

While parting, Yermakov gave me a thick case with documents he had carefully kept all these years. It is a record of the last 18 years of his life. Everything has been filed in order: diaries, the interrogations recalled from memory, records of court proceedings, complaints and appeals to the Supreme Court and the prosecutor's office and replies from them, the amnesty decision, the decree on rehabilitation, and satirical ditties.

Because of his fondness for satirical ditties and the epistolary genre, engineer Yermakov served an eight-year term in prison camps

Six letters to *Pravda*

Georgy Yermakov spent his childhood in the village of Novye Fominichi, 100 km away from Bryansk.



Drawing by Victor Bogorad

Georgy Yermakov: I'm not interested in politics any longer

"All of us lived in desperate poverty," he recalls. "We earned our 'workday units' and lived mainly on the vegetables grown in our kitchen garden. In the late 1930s, people were arrested one after another. I learned from the conversations of adults that they were innocent of any crime. Fear crept into my soul. I understood that nothing could protect man from the tyranny of authorities."

After the war, Yermakov moved to a town and entered a vocational school to become a blacksmith. (Thirty years later, when Georgy was serving his term, this training stood him in good stead.) Simultaneously he finished an evening school. Georgy then served for four years in the Pacific Fleet.

Yermakov suffered for his convictions for the first time in 1956, when he was a cadet of the Admiral Makarov Naval Engineer High School. He said openly what he thought about the Hungarian events of October 1956, and was immediately expelled from the school. Georgy was able to restore his status of the cadet only a year later.

After that he became more cautious and tried to hold his tongue.

In the early 1970s, Yermakov bought a transistor radio. Every night he listened to the "slanders" disseminated by "hostile" radio stations. Georgy did not dare tell anyone what he learned from those broadcasts. However, it became more difficult to keep his true thoughts to himself. At least, he found what seemed to be a way out. Georgy Ivanovich began to write letters to the newspaper *Pravda*.

He recalled in his letters everything he had learned or heard about the crimes of Communists. He wrote about the breakup of the Constituent Assembly by Bolsheviks, the repressions, and the forcible collectivization of agriculture, the consequences of which he felt himself. Georgy signed his letters with pen names: Ivan Zhukov, Udavkin-Veryovkin, Vetrov.

However, he was discovered rather quickly thanks to his handwriting. Georgy Ivanovich underestimated the vigilance of KGB men. When his letters were shown to him in the Leningrad KGB office, he discerned the *Pravda* stamp in the top right corner of each of them and the words: "To the KGB. Anonymous. Request to ascertain the author."

He has antagonized himself

Yermakov was arrested on April 20, 1974. It was a Lenin "subbotnik" on that day, and Georgy was going to work in his office, though it was a day off.

"I saw my daughter off to school, she was in the sixth grade then, waved my hand to her and turned round. I saw three men standing in front of me. 'Are you Yermakov Georgy Ivanovich?' I replied: 'Yes, I am Yermakov.' Then one of them said in a low voice: 'Look at the car standing over there (he showed it with his eyes). Go to it, and quietly.'".

Yermakov spent his first night in a solitary cell. On the next day he was transferred to another cell. An inmate there introduced himself as a foreign currency black market dealer. He was in prison for the second time.

"As soon as he learned that I was a 'political' prisoner, he asked what I knew about the Democratic Movement of the Soviet Union. I did not know anything, of course. For several days he tried to find out whether I had associates. But I had nothing to conceal. My sole guilt was in writing those six letters. The inmate admitted later on that KGB men had thoroughly prepared him for our meeting."

Though Yermakov quickly made a clean breast of it, the investigation dragged on for several months. The interrogation followed the same pattern. The conversation between investigator Lepetunov and Yermakov usually ran like this:

"You write here that the Bolsheviks impudently broke up the Constituent Assembly in 1917. What did you want to say exactly?"

"I wanted to say that the Bolsheviks dispersed the Constituent Assembly."

"I'll put it down so then. In another letter you write that 'communist ideology did not find support in the world.' What did you want to say by that?"

"I wanted to say only what is written in the letter."

"Let us put it down then: "wanted to say only what is written."

One day the inmate gave the following advice to Yermakov:

"Since you are a criminal, there must be people who suffered from your deed. Ask the investigator about this."

At the next interrogation session, Georgy Ivanovich asked the investigator to show him at least one "victim" of his "crime."

"I noticed that as if something had stung him," Yermakov recalls. The investigator summoned the guard and said, "Enough for today."

Two days later, Yermakov was put in a punishment cell for three days for "violating rules and regulations." As soon as he was released from the punishment cell, Lepetunov invited him again. When Yermakov again raised the question of the "victims" of his deeds, the investigator became confused.

"Forget about them, Georgy Ivanovich," he said. "The investigation department believes that first of all **you have antagonized yourself against the Soviet government** and will be punished for this accordingly."

It turned out that Yermakov was a criminal and also a victim of his own crime. Georgy Ivanovich was unable to object to logic of this kind. Having learned about this conversation, his inmate, a foreign currency black market dealer, burst out laughing: "Since you have persuaded yourself to believe your propaganda, ask the judges to let you to your bail."

In the meantime, the day of the trial was approaching.

Forbidden to go to the May Day demonstration

As expected, lawyer Yarzhenets appeared only when the investigation was completed. He tried to persuade Yermakov to "repent sincerely," and then he will be sentenced to a shorter term of imprisonment. When, after the trial, Yermakov's wife came to Yarzhenets, asking him to intercede for her husband, the lawyer responded:

"He alone is to blame. Why did he ask questions during the investigation? Why didn't he plead guilty? We were going to sentence him to one and a half, maximum two years of imprisonment."

The lawyer exactly said so: "We were going."

In the marine research institute, where Yermakov worked before his arrest, no one dared come out in his defence, while the Party group organizer said he had long felt that Yermakov was a concealed enemy. Incidentally, Georgy Ivanovich was never a Party member and very seldom met the Party group organizer.

The prosecutor insisted on sentencing Yermakov to four years of "strict regime" imprisonment. The court "satisfied" his request. The bill of indictment naturally did not contain the words "he has antagonized himself against the Soviet government."

Yermakov was sent to the now famous Perm-35 camp. Its inmates were divided into categories, depending on the nature of their "crime." Georgy Ivanovich was considered "a letter writer" and was very surprised to meet in the camp people who, like him, had been sentenced for writing letters.

An amnesty was declared half a year before expiration of his term, and Yermakov returned to Leningrad. While he was in the prison camp, his wife divorced him to ensure a quiet future for the daughter. Georgy Ivanovich lost his domicile registration in Leningrad. He tried to restore it, but his request was turned down because former "political" prisoners were not supposed to regain their domicile. For the same reason he could not get a job. Georgy Ivanovich was sheltered by his friends.

"After living for a couple of months in one place I saw that the police took an interest in me, and I moved to a new place," he recalls.

After long trials Yermakov decided to apply to his investigator for help. Many times he sought an audience with Lepetunov, but the latter avoided meeting Georgy Ivanovich under various pretexts. At last, Georgy Ivanovich caught Lepetunov in the street. He explained that he wanted to consult him. But the investigator refused to talk to Yermakov.

"Go anywhere, to Luga, for instance. Perhaps you will get registered there," he said.

At last, Yermakov had luck. On one of the fences he read a notice: a board for mechanization needed electricians. Georgy Ivanovich went there and offered his services.

"For some reason the personnel department manager was not confused to learn that I had no domicile registration because of my previous conviction," Georgy Ivanovich recalls. "He issued a permit to live in a hostel, where I was to get registered. I was already going to leave when the inspector suddenly asked me: 'Listen, under what article were you convicted? Wasn't it a political article?' My heart began to throb. They could also refuse to deal with me. I told the inspector that I was convicted for stealing, and he seemed to be satisfied with the reply."

Later on, the same inspector told Yermakov with surprise:

"I can't understand. KGB men come to me and 'advise' to forbid Yermakov to take part in the May Day demonstration and, instead, send him on a mission or oder him to be on duty."

Georgy Ivanovich shrugged his shoulders and smiled, pretending that he did not understand anything either.

A yellow cover notebook

In 1979, Yermakov moved to Lyubertsy, a town near Moscow, and got a job in his trade at the main communication centre of

the Inland Water Transport Ministry of the Russian Federation. Having permanent domicile registration, he felt more confident.

All these years Georgy Ivanovich held that he was wrongly convicted and did not doubt that he would be exonerated. He began to go to Moscow, wrote letters to the Party's Central Committee, the Supreme Soviet (parliament), and asked them to reconsider his case. Yermakov was detained not far from the Central Committee building and taken in an ambulance car to the Serbsky Central Institute of Forensic Psychiatry, where he was examined for a week to establish whether he was of sound mind. After that Georgy Ivanovich did not apply to the Central Committee.

"Hatred for Communists with which I was filled all these years burst through again," he says.

Yermakov again took up the pen. He chose addresses at random, most often from notices on the exchange of flats. He wrote to newspapers, the radio and television. Georgy Ivanovich became more cautious. He changed his handwriting and sometimes typed his statements on a hired typewriter. Thanks to this, apparently, he "held out" longer than the previous time – for nearly two years. The KGB investigation bodies calculated that during this second time, Georgy Ivanovich was able to disseminate 146 letters and four appeals.

From the sentence: "In a school notebook, Yermakov recorded events which took place in our country or abroad and then produced texts, in verse form, in which he reflected on these events in an anti-Soviet slanderous spirit."

This yellow cover notebook, in which Georgy Ivanovich wrote down selected "political ditties," was sent to the KGB by his second wife, Lidiya Kurganskaya (Yermakov married in Lyubertsy for the second time).

Kurganskaya testified at the trial that Yermakov read out separate epigrams "before going to bed." Though she closed her ears, Kurganskaya said, "the content of the hostile propaganda texts could nevertheless partially infiltrate into my mind."

"He failed to reform his behaviour"

After his arrest in December 1981, Georgy Ivanovich was again placed in the Serbsky Central Institute of Forensic Psychiatry. This time he was kept in it for two months. It was again established that Yermakov was of sound mind. Then he was transferred to the Lefortovo prison.

"The investigator wanted to know how I, having a technical education, could write these ditties myself. 'Our specialists believe that they have been written at a medium level,' the investigator told me." Yermakov said he felt proud to hear such an assessment of his creative work.

Yermakov's case was examined at the Moscow City Court. Judge Lavrova and people's assessors Matyukhin and Orlov concluded that Yermakov was guilty of crimes under Article 70 of the criminal code. In addition to the notebook, there was other material proof of his "guilt" – several postcards with text of "anti-Soviet content" identical to the text in the notebook. Witnesses spoke too, and the statements of some of them need to be mentioned here.

Alfeyeva, who worked as a mail handling operator at the Kievsky communication centre in Moscow, said that handling mail in December 1981, she noticed four postcards with "a handwritten text containing slander about the leaders of the Communist Party and the Soviet government."

Rybakova said that four documents of "anti-Soviet content" had arrived at her home address. Besides, in a public place she once heard an epigram identical with an epigram contained in Yermakov's notes.

Guseva, who worked together with Yermakov, said: "When personnel talked about the events in Poland in 1980 and 1981, Yermakov's face revealed some interest, though he did not take part in conversations. He also constantly typed something on a typewriter in our office."

The court noted that Yermakov, who was previously convicted "for an especially dangerous state crime failed to reform his behaviour" and after his release "remained a person hostile to the Soviet government." Yermakov was sentenced to four and a half years of "strict regime" imprisonment and five years of exile.

Georgy Ivanovich served his second term completely. The "recidivist" could not count on an amnesty.

"It was easier the second time," Yermakov recalls, "and the places were already familiar to me."

Yermakov served his term of imprisonment simultaneously with Anatoly Marchenko, Gleb Yakunin and Sergei Grigoryants. "Stepan Khmara was also in prison with me," Georgy Ivanovich recalls. "I remember he said then: 'The main thing for us is to overthrow communist rule. We are sober-minded people. We'll know what to do next.' I remembered his words on learning what he recently did in Sevastopol."

"Among the inmates, there were several young soldiers who defected abroad," Yermakov recalls further. "Most of them returned and were sentenced to 10 or 12 years in prison for high treason. One of them came up to Marchenko and said: 'I read your book *My Testimony* there.'. Marchenko replied: 'You say you've read my book. Why did you return then? The book is all about this.'"

Drawing by Marat Tairov

Georgy Ivanovich learned about the death of Anatoly Marchenko when he was already in exile – from the Voice of America broadcast. He was in exile in the Kara-Kalpak autonomous republic, when a decree on amnesty was declared. It was in June 1987. The authorities began to release "political" prisoners.

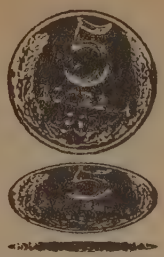
After his return, Yermakov lived on occasional earnings for a long time. He washed windows and made small repairs in flats. Then he got a job in a TV repair workshop. But as soon as Georgy Ivanovich turned 60, he was offered to retire on a pension.

A radio engineer in the past, Yermakov now earns money as a grinder. He even made a simple grindstone. True, earnings are not stable.

"I tried to go from door to door, offering my services, but couldn't do that. I feel ashamed," he says. "In the past, I sharpened scissors and blades for barbers and hairdressers. But the prices have soared now, and they have fewer clients. It seems I'll again be without work soon."

Yermakov was recently exonerated from his first charge in the "Leningrad" case thanks to the Petersburg branch of the Memorial society. The same society granted him an allowance of 200 rubles as a person who suffered from the previous regime. However, Georgy Ivanovich has received nothing from the new authorities.

Oleg Vishnyakov



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The monster got out of control

The West has always accused the Soviet Union and other socialist countries of favouring international terrorism. Now that the archives of the East European secret services have been opened it becomes clear that the reality surpassed even the boldest guesses of Western experts in terrorism.

The socialist world was an ideal base for terrorist actions. Behind the "iron curtain" terrorists were out of reach of the police, while the local authorities were fully prepared to cooperate. The Palestinian terrorists were given favourable treatment in Hungary, Bulgaria, Czechoslovakia and East Germany.

The secret services of socialist countries trained Palestinians, first of all the PLO guerrillas, supplied them with arms and explosives, and allowed them to use the territories of their countries for attacks on international imperialism and Zionism.

But Moscow's relations with the Palestinians have never been cloudless.

"Too calculating"

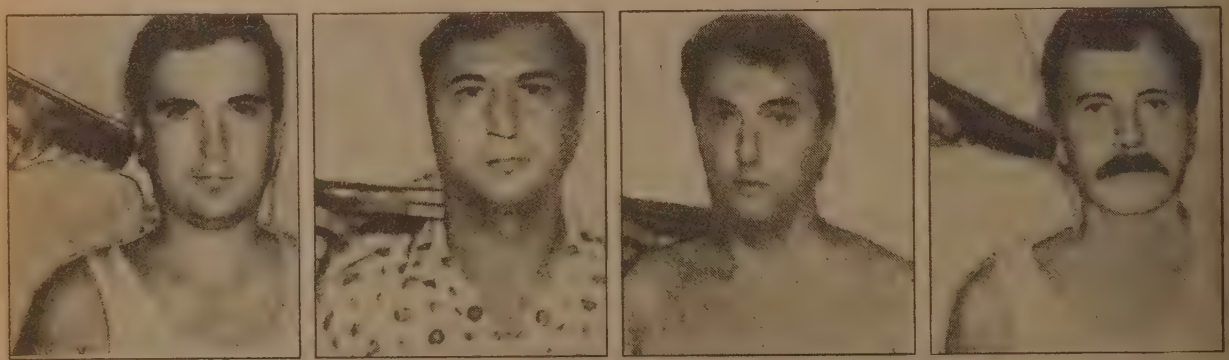
Highly placed Palestinians, who are informed to some extent of the details of Soviet-Palestinian contacts, hold different points of view. Some unreservedly thank Moscow for everything it has done for the PLO. Others are rather sceptical of Soviet aid.

"The Moscow leaders have always loudly declared that they support our struggle," a top PLO leader complained to journalists. "But at secret meetings they behave quite differently and are too calculating when it comes to aid."

Since Krushchev's time Moscow used to pin its hopes on Egypt and, later, on Syria. The Soviet leaders preferred to have a relationship with influential countries on which the Middle East situation depended. That is why Moscow took a suspicious attitude when the PLO had been set up.

Socialist countries supplied the Palestinian terrorists with arms and concealed them from justice. This aid was given even to those who were officially branded as "splitters" and "traitors" to the Palestinian cause. The true motives of this unprincipled policy become clear only now

The aim of wiping out Israel, proclaimed in the PLO's national charter, was close to some officials in the CPSU Committee, but in no way accorded with the Soviet Union's interests. Only the permanent Arab-Israeli conflict allowed Moscow to ensconce itself firmly in the Middle East, establish bases there for its Mediterranean fleet, and count on Arab support in UN voting. In this sense, Stalin's aim – to hold firm in the Mid-



Three Soviet diplomats and an embassy doctor were kidnapped in Beirut. One of them was killed. Pupils turned their arms against their teachers

dle East by supplying arms to the Jewish army in 1948 (see an insert, next page) – was achieved, though through a vice versa combination.

Besides, Arafat did not seem to be a serious partner. He endlessly manoeuvred in the fight for survival. How could he prove useful to Moscow?

China, which did not recognize Israel then, was the first socialist country to establish relations with the PLO. Mao also needed international contacts and partners, better junior ones. The West had no relations with Beijing while comparatively large states of the Third World ignored China at the time.

Mao's generosity was first appreciated by those who did not have anything. Yasser Arafat visited Beijing in 1964, and the PLO office was opened there next year. Originally, only China supplied arms to the Palestinians. Moreover, Beijing made no mention of money and delivered more arms than the PLO asked. There was one difficulty, however – a long distance between Chinese ports and the Palestinian bases in Lebanon.

Arafat first visited Moscow in 1968 under an assumed name, in the retinue of President Nasser, who needed medical treatment in the Soviet Union. After personal acquaintance and secret talks the attitude to Arafat improved, partly because the Soviet leaders feared that the PLO leader might completely fall under China's influence. In the Middle East, Moscow vied with Washington, and a third rival was one too many there. Nevertheless, the PLO office was opened in Moscow only in 1976.

Well-paid aid

Moscow's aid poured in after 1973, when President Sadat of Egypt had become disappointed in his friendship with the Soviet Union. Soviet interest in the PLO reached its highest point in the period between 1979 and 1982.

What was the scale of aid to the PLO?

In 1982, when Israeli troops had driven the Palestinian armed groups out of Lebanon as a result of the Operation Peace for Galilee, a list of captured equipment was published in Jerusalem. It included 80 tanks, 56 missile launchers of the Katyusha type, 202 grenade launchers, 158 antitank guided shells, 70 heavy guns, 28,000 small arms, and 4,670 tons of ammunition.

About 3,000 Palestinian militants underwent training in the Soviet Union. On returning to their bases, they passed on their experience to others

It was a small part of what the Soviet Union had delivered to the PLO. By all indications, it was not Moscow's generous gift to its Middle-Eastern friends.

The PLO had money to pay for arms. The oil boom had created a surplus of money in the Arab world. Arab states could afford to make donations to the Palestinians. This was done even by Libya, which did not have money to pay for Soviet weapons it received. Moreover, some Palestinians held a prominent place in Arab countries as teachers, bankers and merchants who could donate large sums to the PLO cause.

After the Palestinians had been routed in Lebanon, Moscow continued to help the PLO, though its strategic importance declined. Besides, Syrian President Assad spoke out against Arafat. Having felt his weakness, Hafez al-Assad tried to place the Palestinian movement under his own control. He succeeded in breaking several groups away from the PLO. In turn, Moscow sought to remain loyal both to Arafat and Syria, its major ally in the Middle East.

The true character of relations between Moscow and the Palestinians can be seen from documents seized by Israelis in 1982 and subsequently published by them. Among them is the transcript of Andrei Gromyko's talk with Yasser Arafat on November 13, 1979.

The minister was cool

"We support the Palestinian, Arab position," the Soviet Foreign Minister said. "Without any doubt, we shall vote for any proposal you will put forward in the United Nations. You are guaranteed the support of our socialist friends. But, the last question, and it is only a question indeed. When we talk with Americans about the Palestinian problem they ask us: how can one recognize the PLO and agree to the establishment of an independent Palestinian state if the PLO does not

Yasser Arafat with Leonid Brezhnev in 1981, the best period in Palestinian-Soviet relations

recognize Israel?.. Do you consider the possibility of certain tactical concessions in exchange for recognition by the hostile camp? Do you consider the possibility of recognizing Israel's right to existence."

"We are going to establish a common state for Jews and Arabs. We are told: it means the annihilation of Israel. In 1974 we declared that we should create our state on any part of the territory to be abandoned by Israel, and it is our right," Arafat replied.

Even at secret talks Arafat replied to the ally as evasively as he did at press conferences. Gromyko coolly concluded the talk: "Let us know, please, if your position changes since it is impossible to avoid this question. I ask you to think about this."

If it is an authentic document it reveals the rather delicate relations between the partners who publicly demonstrated a warm affection towards each other.

But political differences were not a hindrance to military cooperation. However, what Palestinians call military operation is labelled in other countries as terrorism.

According to some data, roughly 3,000 Palestinians underwent military training in the Soviet Union since 1973 – in Baku, Tashkent, Simferopol and Odessa. Groups of Palestinians also had training in East European countries.

In an office abandoned by Palestinians in Lebanon Israelis found a report by a Palestinian military mission on trip to the Soviet Union. The document was dated January 22, 1981.

Too much political information

"On September 1, 1980, the delegation arrived in Simferopol in the USSR," the report says. "The number of the delegates – 194 officers. Factions represented: 1. The Fatah; 2. The Palestine Liberation Army; 3. The Armed Uprising; 4. The PFLP; 5. The DFLP; 6. The PFLP-GC; 7. Saiqa; 8. The Arab Front; 9. The Popular Struggle Front; 10. The Front for the Liberation of Palestine."

Soviet politicians and their allies always claimed that the PLO is concerned only with politics and that terror is employed by "breakaway" groups not controlled by Arafat. The point is, however, that at the Soviet centres Palestinians were trained in subversive and terrorist activity and that most of the trainees were Arafat men.

It is interesting that terrorists from the Popular Front for the Liberation of Palestine – General Command (PFLP-GC) also underwent training at the Soviet centres, though the ruthleess actions of this group were publicly condemned by Moscow.

Incidentally, the Palestine Liberation Army, directed by the Syrian General Staff, is also one of the most irreconcilable and relentless organizations of the Palestinian resistance. The same is true of the Popular Front for the Liberation of Palestine (PFLP) led by George Habash. It was Habash who organized most of the plane hijackings and brutal actions, beginning with the shooting of passengers at the Lod airport in Israel.

The report noted that some of the Palestinians who arrived for training had to be sent back because they sold currency, drank hard, and refused to obey Soviet instructors and study according to the programme.

In their turn, Palestinian trainees complained that they had too much political information and too little practice at the Soviet centres. During the fighting in Lebanon in 1982 Israel officers noted that only a small part of the Palestinians operated skilfully. The others did not have proper organization, could not use modern arms, and suffered losses...

Party assignment

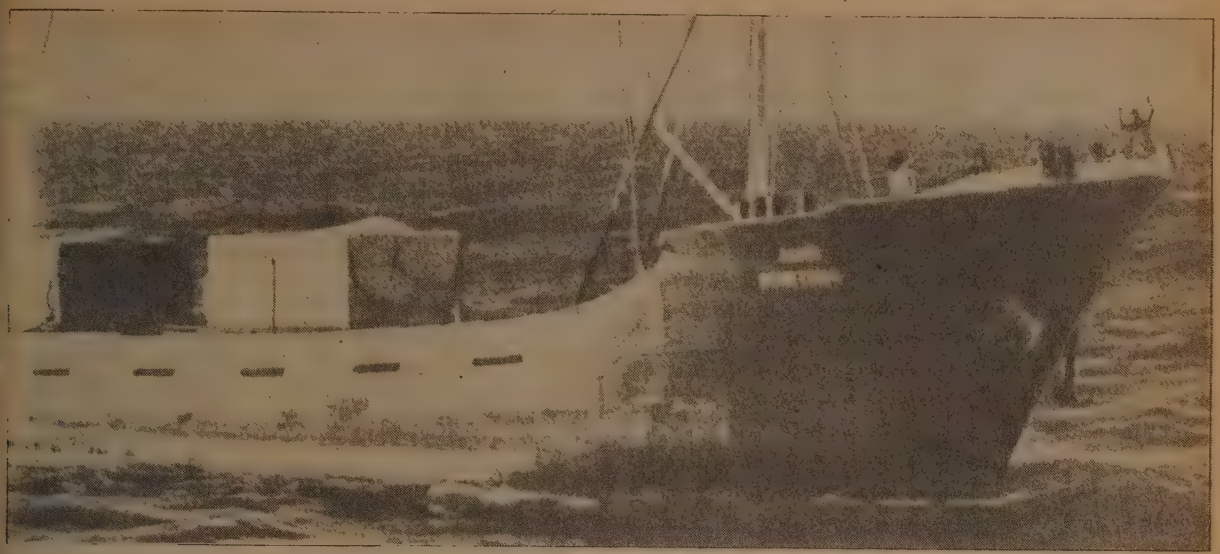
The secret services of the Eastern block had rich experience in arms supply and the training of Middle East militants. Before the state of Israel was established Stalin, acting through Czechoslovakia, provided arms for the Jewish army and training for its officers

Early in 1948 Major Steven Mead, the US military attache in Beirut, reported to his chiefs in Washington about mysterious planes which landed at night at a small airfield in the Bekaa Valley. On some nights several planes arrived at a time. By the beams of searchlights they were secretly unloaded by Darouish Beydoun, a notorious Lebanese contrabandist.

In his cipher message the attache quoted the Lebanese Army Chief of Staff, who told the American that weapons for the new Israeli army were delivered in this way.

Washington ordered that the intelligence service find out where the arms come from. The reply was given by the military attache in Prague, who ascertained that crates of arms were loaded on secret planes in Czechoslovakia and that volunteers for the Jewish army were recruited in the Czechoslovak army.

The attache did not know that volunteers were also selected then among Jewish officers who fought during the Great Patriotic War against Germany and were recently demobbed from the Soviet army. The Soviet Communist Party members were told that fighting on the side of Israel



PLO men tried to blow up the Filat port with the help of this vessel

Photos from Der Spiegel (Germany)

It would be wrong to believe that the KGB, the State Security Ministry of the German Democratic Republic, and the special services of other socialist countries directed Palestinian terrorist operations or took part in them. The point is that, with a few exceptions, each Palestinian organization had its ruling lord – Syrian President Assad, Iraqi President Hussein, and Libyan leader Gaddafi. Only Yasser Arafat tried to keep his Fatah organization independent, naturally not for the purpose of fulfilling the KGB's orders.

"Thank you for taking no action against us"

Officials of the Soviet external intelligence and their East European colleagues tried to maintain close contacts with the Palestinians not only for the sake of the joint struggle against Zionism and imperialism. They had to be on the alert in dealing with Palestinian terrorists and see to it that they carried out their terrorist operations outside the socialist camp.

"On the instructions of Comrade Honecker, Erich Mielke, Minister of State Security of the German Democratic Republic, agreed with Abu Ijad, a leading representative of the Palestine Liberation Organization, on aid and support of the just struggle of the Arab people of Palestine," says an

gainst British imperialism and Arab reaconaries was a Party assignment.

The US military intelligence regularly reorted to Washington on arms deliveries for srael. Military cargoes were registered in the ustoms declarations as "surgical instruments nd other medical equipment." They were aded under the supervision of the Czech olice. The planes landed not only in the ekaa Valley, which was later chosen by alestinian armed groups as their base, but lso on the Israeli territory.

Admiral Hillenkoetter, then CIA Director, as extremely displeased with the airlifting of rms to Israel. At that time no one called the nited States the protector of the Zionists. n the contrary, the Soviet Union backed the ewish state to spite the United States and ritain, which were against the division of alestine.

Washington was prepared to lodge a prost to Prague. The Czechoslovak Ambasador said his government needed foreign urrency so much that it would sell arms in spite of protests and bans.

In the summer of 1948 American pilots began to fly private planes from Czechoslovakia to Israel. The US military attache offered his chiefs in Washington to warn those who did not comply with the ban that they would be shot down by interceptor-fighters. However, matters did not come to that. A protest was made to Prague while Count Bernadotte, the UN mediator in Palestine, was informed of arms deliveries in violation of the embargo.

A month later Prague replied that American pilots who worked under contracts had left Czechoslovakia. But the military attache learned from his agent, a Czechoslovak army officer, that planes now took off from the small Malacky airfield north of Bratislava. Soviet and Czechoslovak instructors also trained Israeli pilots there.

In Kunowice, not far from Brno, the British Spitfires and captured German Messerschmitts–109, bought by the Israeli army, were dismantled and loaded on transport planes of a Panamanian airline. Sometimes these planes had Panamanian and American identification signs drawn on them to make it easier for pilots to fly across the American occupation zone in Germany.

In the autumn of 1948 the US military attache reported to Washington that an intensive training of Israeli servicemen was going on in Czechoslovakia: infantrymen on Olomouc, medical nurses in Liberec, electrical mechanics in Pardubice, tankmen and landing groups in České-Budějovice. Soviet instructors also conducted political education classes. Demolition men were trained at old partisan bases. Twenty years later Palestinian militants were taught the same skills at these bases.

A 2,000-strong unit, called the Gottwald Brigade in honour of the Czechoslovak Communist leader, left for Israel at the end of December 1948. The delivery of Czechoslovak tanks, anti-aircraft guns, anti-tank rifles, and ammunition for the Israeli army went on.

account kept in the archives of the State Security Ministry of the GDR. "Comrade Minister assured the PLO representative that anti-ship demolition charges and hand grenades would be delivered in the required amount."

Erich Mielke also asked Ijad to thank PLO leader Yasser Arafat for taking no action against the US President during the American-Soviet summit in Vienna. The Minister was grateful to Arafat for the PLO's agreement not to conduct terrorist operations on the GDR territory.

Moscow wanted to know everything about Islamic terrorism because after its invasion of Afghanistan the Soviet Union lost the favour of the Moslem world. Moslems turned their backs on their former friend. Care had to be taken to protect citizens of socialist countries from falling victim to Palestinian terror.

But the monster bred by joint efforts got out of control. In the autumn of 1985 one more illusion cherished by the Soviet Union was dispelled. This happened after the kidnapping of three Soviet diplomats and an embasay doctor in Beirut. Three men were later returned, but the fourth, Cultural Attache Arkady Katkov, was killed.

Kidnapping has long become a standard method of struggle in Lebanon. As a rule, only Americans became victims, and it was called the struggle against imperialism... The kidnapping and killing were an alarm signal for Moscow.

Soviet people were thought to have immunity against terrorist actions. Assistance had to be sought not from old friends, but from former antagonists. This became possible with the beginning of *perestroika*. The intelligence services of the Soviet Union began to consult with their colleagues in Western countries.

Thus, in 1990, Moscow learned that Palestinian terrorists were preparing an action against the Soviet national football team, which had arrived for the world football championship in Italy. The KGB applied to the Italian military intelligence service, SISMI, for aid. This aid was given, and the Soviet football players avoided the worst. Moscow then fully appraised the possibilities of international cooperation with its former antagonists.

Leonid Mlechin

"Obey instructors and do not speculate"

Such instructions were given to Palestinian militants before they went to the Soviet Union

One of the most abominable terrorist operations of recent time – the seizure of the Italian ship *Achille Lauro* – was organized by a man who underwent training in the Soviet Union. It is Abu Abbas, a man close to Arafat. He heads the Palestine Liberation Front affiliated with the PLO.

At Damascus University, Abbas studied Arab literature, took an interest in Marxism, and then joined the PLO. He was noticed by Ahmed Jebril, leader of the Popular Front for the Liberation of Palestine – General Command.

Jebril became widely known when his men seized a house in a small Israeli town and killed 18 peaceful civilians there. He declared then that he was founding "a new school of struggle with the use of revolutionary violence of the highest degree."

In 1973 Abu Abbas (then 25) went to receive military training in the Soviet Union. He succeeded in his study. Later Abbas tried to hijack planes and blow up Israeli ports.

In the summer of 1978 Fatah guerrillas chartered a Greek vessel. In the Latakia port, where Palestinian aqualung swimmers underwent training for subversive purposes, Syrians loaded Soviet-made missile launchers, and in Tripoli the guerrillas took four tons of TNT with them.

The aim of the operation was to fire missiles at the Eilat port, trying to set an oil refinery on fire. After that the crew intended to leave the vessel and change for a motor boat. The vessel loaded with explosives and directed by the automatic guidance system was to cut into the moorings. The amount of TNT was enough to destroy Eilat almost completely and kill many peaceful civilians.

However, 40 miles off Eilat the vessel with Palestinians was intercepted by an Israeli patrol boat. The terrorists were put on trial and sentenced to imprisonment for various terms. The arrested Palestinians willingly talked with foreign journalists.

Hadir, assistant chief of the group, told them that he had studied at military courses near Sevastopol. Among their "subjects" were demolition, the laying of mine fields, the blowing up of bridges, conduct of combat operations under conditions of nuclear, chemical and biological warfare.

"Before leaving our Shatila camp, we took a course in the history and culture of the Soviet Union," Hadir went on. "We were told that we must implicitly obey the orders of Soviet instructors and avoid discussions on political subjects."

Fatah militants came to the Soviet Union with the passports of deceased Jordanians or Lebanese on which new photographs were glued.

"Each of us," Hadir said further, "received 200 dollars for the trip. The Russians tried to obtain hard currency for us by any means. We were warned against engaging in contraband and speculation. The previous group had serious troubles over speculation."

In 1982 Abu Abbas quarrelled with Jebril and his Syrian friends, who attempted to put all Palestinians under their control, and joined Arafat.

Having seized the Italian ship with tourists, Abbas men killed a 69-year-old invalid only because he was a Jew. President Reagan was ready to use military force, and then the PLO beat a retreat.

Arafat said the PLO had nothing to do with the seizure of the vessel. Later on, however, he explained to his aids: "The operation was necessary because it made the whole world shudder at the thought of facing Palestinian guerrillas."

Fatah, Arafat's personal organization, tries to avoid taking part in odious operations. The other groups affiliated with the PLO consider the killing of peaceful civilians a normal means of struggle against the "Zionist formation": "All Israeli citizens are regarded as soldiers of the enemy and are subject to annihilation because their death weakens Israel."

Bolsheviks not wanted

Tatiana Ivanova

The new Russian socialism: its three sources and three components

Before departing from Prague, capital of socialist Czechoslovakia in those pre-historic days, I popped into a household shop and bought a string bag, a brush for cleaning saucepans and an enamelled basin. "What on earth for?" my Czech girlfriend asked. "You've got all these things." "True," I said, "only the colour's different." At home the family, as I remember, simply gushed when they saw these foreign-made items, the string bag, the brush and the basin, and concluded that socialism had not been built in Prague as yet. They deduced that from the circumstance that the string bag was knotted of silky, polychromatic threads glistening with all the colours of the rainbow, while the brush was as green as spring grass, and the basin was of a daisy-studded celestial blue!

Soviets don't have to be told what the first component is, the first token of built, developed socialism. It's the colour. When everything around is of one indefinite dirty grey, when not only clothes, fabrics, kerchiefs and hats but even the paints themselves in the boxes inscribed "Paints" are colourless, when nothing is green, blue, yellow, mauve, or pink any more but Heaven knows what, a hodge-podge of indefinite tints, then you can definitely say that socialism has been built, that it has won out fully and for all time to come, that it is developed socialism, the ultimate phase, as after it comes communism.

The other day I had to spend some 40 rubles for some ten thin short felt-tipped pens which was pretty expensive. Foreign-made pens are outrageously priced. These though were our Soviet-made pens, our socialist pens. The red one was of a brownish brick colour, the blue a greyish mauve, the green a greenish-streaked brown and the yellow also brownish, but with pinkish tint.

What can the Bolsheviks hanker for, when trooping out into the squares under their red banners, red being the one and only colour that remained pure under socialism? They've no reason to grumble, nothing has happened to the socialism they so dearly prize. It's there to be seen and is pre-developing with alternating success. If you don't believe me, just pop into any department store or any haberdashery selling home-made items. It's quite spacious there, empty with hardly any customers, as shelves are chockful of items of an indefinite dirty, sombre colouring. The state still jealously guards socialism's first component.

Developed socialism's second component and, this you can take from me as a theoretician, as who isn't one nowadays, is expressed in: "The idea is everything, the human – nothing"! As that's how one should interpret for instance such slogans as "The Party and the people are one!", "Render the Party's plans into life!" or "Everything for man, evrything in the name of man!" They always said one thing, but meant another and did a third.

"The people must have a rest!" was the slogan the Presidium of Russia's Supreme Soviet enunciated late last month, when allotting four days off all at once plus another three. It must certainly be admitted that this was most timely. The whole world, even the poorest countries, send us food so that we don't die of hunger, and clothes so that we have with what to cover ourselves; in the countryside the sowing is to begin and industry has been slipping into a decline – surely that's a good enough excuse for the entire nation to take a week off from work?

Alright, we were told to take a rest, and so we did. However, it appears that it was the public services that were to take a rest first. During this nationwide vacation, open in Moscow, the capital of our Motherland, was just one bakery and one grocery to every thousand houses. The "vacationers" stood in lines that were kilometres long, while buses came and went at hourly intervals, causing crowds of "vacationers" to impatiently wait at the bus stops.

I would be so happy could I lovingly tell you how my compatriots flocked to their kitchen gardens and their cottages, how they clasped to their breasts the slender shoots and the boxes with the tomato seedlings they had grown on their window sills and were going to plant. There were thousands upon thousands of them and they all wanted to go and work on their dear land.

However, few suburban electric trains were running. Note that none were added to cope with the exodus. On the contrary, trains were called off, and as a result the would-be passengers stormed the few running, and in the press people fainted. Truly a miserable time for senior citizens and children, let alone the seedlings. Or take the bus stations in the townships outside Moscow more specifically the boarding of buses routed to the smaller villages. Words fail to convey the picture, which may have been similar to what might have been observed, during wartime evacuation, when people were afraid that enemy aricraft might start bombing that very instant.

While people are so maltreated in my poor homeland, the Bolsheviks really have nothing to complain of. Developed socialism is on the march and with it we are striding forwards to communism.

Socialism's third component emerged in full flower during the May holidays. The Moscow administration amended Yeltsin's edict on free commerce. The Russian President had said that everyone could buy and sell whatever he or she wanted and wherever he or she thought necessary. Thousands of Muscovites hawked in the streets. During the three-month-long freedom I forgot the path to the hated shops – their privatization in Moscow is sheer fiction, as not one is privately owned, and the Gostorgs, the state trade offices, are still in the saddle. I chose a cleaner-looking hawker and bought from her the butter, the cheese and the milk at the prices asked for her having stood in line instead of me and having brought the food closer to my home. We were pleased with one another. But *kaput*. The Moscow administration noticed nothing but the rubbish that accumulated. What should it have done? Hire college students and schoolchildren to clear away the rubbish to enable them earn some money and lean to work. Or forbid such traffick. Right, that was what was done. The cops are now chasing away the hawkers and the buyers who had kept to the terms of their President's decree. Clear off they say. You can't hawk here and you can't hawk that.

As is to be deduced, socialism's third component consists of bans, restrictions and the like.

Oh yes, I have yet to qualify the three sources of these three components. They are: the reluctance to work, the attitude to people as not to individuals but a mass who need to be governed, and thirdly – but please excuse my being a bit rude – the stupidity. True the stupidity might well be the Number One source as nothing is as never ending as stupidity.

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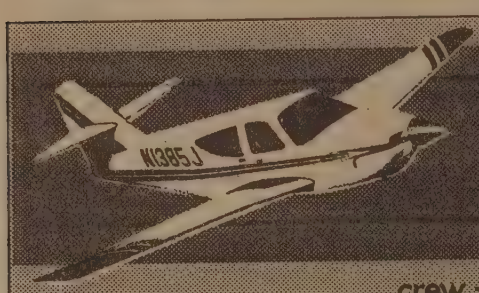

Technical data

crew - a pilot and two passengers
(or one passenger and a ninety kg load);
mass of loaded and refuelled aircraft - 520 kg;
maximum take-off mass - 770 kg;
flight range - up to 1,000 km;
cruising speed - 150 km/h;
cruising altitude - 300 metres;
take-off run - 90-100 metres;
basic length of a runway - 300 metres.

The aircraft works on motor petrol with the octane number 93 consuming no more than 18 litres per hour.
The aircraft costs 60,000 to 70,000 US dollars.
The company is permitted to make settlements in hard currency.

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Who will defend human rights in the former USSR?

Topical aspects of human rights activity

For our compatriots, yesterday and today, human rights are above all freedom of speech and the press, the absence of political prisoners, and the right to emigration. The latter was mainly linked with the emigration of Jews. That is why in the former USSR Jewish organizations held a special place among human rights organizations. A recent conference "Russian-American cooperation in the struggle for human rights and democracy" was convened in Moscow by the Association of Councils in Support of Soviet Jews from the United States.

Now that the freedom of emigration is an almost accomplished fact and the notion "Soviet" is receding into the past, organizations like this run the serious risk of losing their niche. It seems that the leaders of the Association held the conference with the goal of seeking their place in the changed world. The conference discussed not so much problems of the Jews as topical aspects of human rights activity in the Commonwealth of Independent States.

The high intellectual level of the conference gave light to the critical situation in the human rights movement of the country. One of the striking examples of this crisis is that quite respectable people, who became widely known as human rights champions, today use human rights phraseology for purely political aims.

For instance, Elena Bonner and Valentin Oskotsky spoke about the territorial self-determination of Nagorny Karabakh and South Ossetia. Indeed, actions in defence of human rights are necessary where the rights of national minorities are violated, be it in Georgia, Armenia or Azerbaijan, Moldova or Russia. However, the territorial status of one or another region is a purely political question.

For many years, human rights activity was the main lever for social development in our country. It set moral goals. Dissident human rights organizations were almost the only bodies to which citizens could complain about the arbitrary rule of authorities. The politicization of human rights activity is therefore arousing fears that it is being inevitably eroded in this way. As a result, our non-politicized citizen, not yet protected by the effective mechanism of the law, court and law-enforcement bodies, may prove extremely vulnerable.

However, it is not easy to avoid politics. For instance, without defining their political stand, how can the Russian human rights champions decide the question facing them, namely, in what measure are they responsible for human rights violations on the expanses of the former empire? At the conference, Alexander Podrabinek, a well-known dissident and editor of the *Express-Chronicle*, asked no less known Valery Abramkin what he knew about the destiny of two political prisoners in Moldova convicted for tearing up the national flag. Abramkin replied that the Russian human rights activists have many problems within their own country and simply have no time to think about political prisoners in "other" countries.

This gives food for thought. On the one hand, human rights have no borders, and arguments critical of "interference in the affairs of other countries" have been familiar since the times of communist repression. On the other hand, the neighbouring countries are particularly sensitive to any remarks and reproaches from Moscow and are inclined to regard them as a continuation of great-power policy. It has to be admitted that there is good reason for the stand: "Let Americans defend human rights in Ukraine and Estonia, because we in Russia have plenty of our own problems."

The attention of the Russian human rights activists is still riveted on such sensitive issues as people not allowed to emigrate, national minorities, and the penitentiary system. A new problem – hazing and bullying in the army – has arisen in the past few years. Thanks to *glasnost*, we have learned that basic human rights are systematically and grossly violated in homes for disabled persons, old people and children without parents. The inmates of these homes do not have even a small possibility of fighting for their rights, such as hunger strikes and riots, which prisoners have.

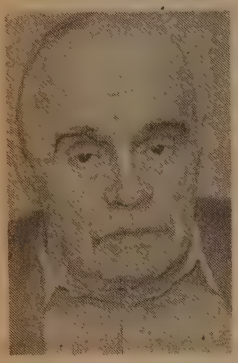
Thanks to the vigorous efforts of human rights activists, the use of psychiatry for political aims has been stopped. However, the threat of being placed in a mental hospital is still used against the extremely obstinate inmates at homes for the aged. Foreign experts allege that the diagnosis "oligophrenia" is still set for many healthy orphaned children.

Unfortunately, these questions were not raised at the conference. Perhaps it was a result of the attitude to social rights as something imposed by authorities on dissidents over many years of their struggle in an attempt to avoid talks about civil rights.

In any case, the time has come to define the positions more exactly. The period of "disorder and vaccilation" among human rights activists is dangerous for us ordinary citizens.

Arkady Dubnov and Galina Kovalskaya

Who will defend the rights of mental patients?



Izvestia's staff writer **Yuri Feofanov** daily receives dozens of letters many of which are addressed to "Doctor of Law Y.Feofanov." Few people know that one of our country's most famous journalists writing on legal subjects does not have a degree, and not even a higher education in law.

A war veteran, Feofanov returned to Moscow in 1946 and wanted to join Moscow University's department of law. But he failed, getting a "poor" on the composition part of the entrace exam. However, he managed to enter the editorial and publishing department.

Feofanov combined his studies with work on the newspaper *Krasnaya Zvezda* (Red Star). Then he was admitted to the all-Union extramural college of law. But after two years he dropped his studies because he did not have enough time. Feofanov began to work on the newspaper *Izvestia* in 1956.

It is usually believed that any newspaper or magazine is made first of all by its editor-in-chief. At that time Alexei Adzhubei was the "chief" of *Izvestia*. Many of those who began to work under his direction are today authoritative journalists, and their names on the cover of a periodical are a guarantee of quality. This also fully applies to Yuri Feofanov, who founded and headed a new journal, *Zakon* (Law).

"With the transition to a market economy the attitude to law is changing radically in our country," Feofanov explains. "In the past, as a rule, the law only punished citizens for their crimes. Today it becomes the main regulator of civil relations."

The journal, founded as a monthly supplement to *Izvestia*, will publish not only new laws and acts adopted in the member countries of the Commonwealth and abroad, but also comments on them by Russian and foreign lawyers and economists.

The first and second issues of Zakon, already mailed to its subscribers, are devoted, accordingly, to privatization and joint-stock companies. The next issues will deal with foreign economic activity, tax legislation, and investment policy.

* * *

Georgy Zhuk, Neftekhimbank's president, is a professional manager. He has headed economic divisions at major machine-building plants, and worked in the State Committee for Prices. In recent

years, Zhuk has headed the financial department of the Ministry of Oil and Chemical Industry.

Neftekhimbank, one of the many independent financial structures of the ex-USSR, was created four years ago and has since earned high repute through its professionalism and competitiveness. By the year's end, the bank's authorized capital should reach 1 billion rubles. Zhuk thinks that profit-making should not be an end to itself, however. He views Neftekhimbank's key goals as the pursuit of an active financial policy to meet the vital interests of stockholders and clients, dozens of oil refineries and chemical enterprises, whose development constitutes one of the key problems of the ongoing reform.

There was no natural division of economic sectors in the ex-USSR, Georgy Zhuk says. The production, transportation, processing and distribution of oil were regulated by a unified planning mechanism. Now that the centralized planning system has been dismantled, we are trying to use financial levers in order to unite these sectors within an integrated complex operating on market principles. This implies an integration in everything from dril-

A free-lancer employed by a government agency

When Mikhail Fedotov, director of the Russian Agency for Intellectual Property (RAIP) recently set up under the President, invited **Andrei Cherkizov,** 38, to work with him as a political adviser, the latter agreed with one reservation: he will not receive a salary in his post. For an independent journalist it was perhaps the only way to preserve his independence in a government agency. His service record card is still kept at the radio station "Echo of Moscow," where he worked and still works along with his new job.

Andrei began his journalistic career 17 years ago. All these years he has been a free-lancer. For several years he worked as a secretary of Yulian Semyonov, a writer, but then they parted. Cherkizov was a co-founder of the Soviet-British publishing house Inter-Verso, which was the first to put out Andrei Sakharov's reminiscences. Last summer he began to work at the "Echo of Moscow" radio station.

The Russian Agency for Intellectual Property has replaced the All-Union Agency for Copyrights. In the opinion of many people, the latter's task was mainly to rob creative intellectuals whose literary or musical works enjoyed success in the West and to provide cover for KGB men. Andrei asserts that today there is not a single security service man "attached" to the agency. "In this respect we are clean," he said.

The new leaders of the RAIP are faced with the difficult task of building a new image and style of work of this organization. The previous director of the All-Union Agency for Copyrights, Nikolai Chetverikov, was the unmasked KGB resident in France. On the first day of his work in the post of director he decided to inspect the ladies room, where he took by suprise several peacefully smoking members of the personnel. Chetverikov ordered one of his assistants to register their names and dismiss them. After that "No Smoking" plates were hung up on the walls of the mansion occupied by the agency. On learning about this story, Cherkizov went about the building and personally unscrewed these plates. Some time later arm-chairs and ashtrays appeared in all specially allotted places. Was it the shaping of a new work style?

Cherkizov, who recently appeared in the Yes television programme against the background of a fire-place, admitted that he likes comfort and cosiness. In general, he wants to turn the RAIP into a sort of quiet harbour, where Russian creative intellectuals "will not beat each other" and will be able to communicate normally.

ling oil wells to running gasfilling stations. This is easier said than done. There is, however, no other way to create civilized market relations in this vital economic sector and attract foreign investors.

We have close contacts with Deutsche Bank, Credit Lyonnais and others. We are learning from them. We have plans to implement the electronic system SWIFT. The bank plans to start leasing operations. We send our personnel to undergo on-the-job training in banks in Belgium, France, Austria, Malaysia and Singapore. We regard this as a profitable investment. Well-trained personnel will better provide compatibility in banking systems and show more motivation. Neftekhimbank is licensed to buy and sell hard currency and accord currency credits. We participate in the Moscow interbank currency exchange.

* * *

Mira Pilia, the President of BiP Ltd., a graduate of the Economics department of Moscow State University, is presently studying in an MBA programme at the Academy of International Trade, with specialization in art marketing. Half a year ago this young woman decided to organize her own company in the field of fine arts. She lacked rich sponsors and had no experience in the business world, but strong desire and deep knowledge in the chosen area have brought her and her associates success. BiP Ltd, holds an exhibition sale of Georgian Modern Art in Moscow, located in the building of the former party high school.

After seventy years of non-profit art, starting a private gallery demands a great deal of professionalism and an equal amount of courage. After six months of uncertainty came the breakthrough – foreign visitors and promising of-

fers became reality. Foreign attention was one of the original goals of the exhibitors, some of whom are members of a council of experts from the Georgian partner of BiP – the firm Art Business. Outstanding Georgian painters chose their latest works for the exhibition, and one can only wonder how they managed to convert the most difficult times in modern Georgian history into such beautiful works. Some of the painters represented at the exhibition are famous throughout the world, including Levan Chogoshvili, Khachaturian Gaiane, and many others.

Far-ranging plans of BiP include the creation of a museum of modern art. BiP's President Mira Pilia believes that demand for art will increase in Russia over the next few years, and BiP will be in place to offer art designs of high quality. The Fund of the International University in Moscow helped BiP to stage the exhibition, and plans to prolong its support.

Plenipotentiary, but not extraordinary

Three years ago **Dorothea and Gerdt-Josef Feigl,** a couple from Freiburg, southern Germany, had a vague idea of where Khakassia and Tuva are situated. But their interest in cultures unknown to them, in customs and, what is important, people made them to go to these faraway places, first as tourists.

In Abakan, the administrative centre of Khakassia, people came in flocks to look at strangers. There was a problem with translation from German. But someone knew English rather well, and the conversations ended early in the morning. The Feigls found many friends with whom they did not want to lose contact.

Shortly after the first visit Dorothea sent a telegram to the Intourist office in Abakan, informing it of the date of her arrival. It somehow did not occur to her that a plane to Siberia does not fly at all from the Sheremetyevo airport. Dorothea hardly managed to reach the place. This time she visited hospitals and schools to find out what was needed most.

On returning home, Dorothea stirred up interest in her idea among industrialists and businessmen. Some time later she and Gerdt-Josef went on a new tour together with their daughter and one of their friends, a doctor. Their luggage consisted of 18 suitcases of medicines.

During several years the Feigls, as they put it, "have strengthened contacts," and all kinds of things have happened. Some people failed to keep promises given to the Feigls, and at times the couple were simply cheated. Nevertheless, Dorothea and Gerdt-Josef continue their cause with amazing persistence, patience and tact.

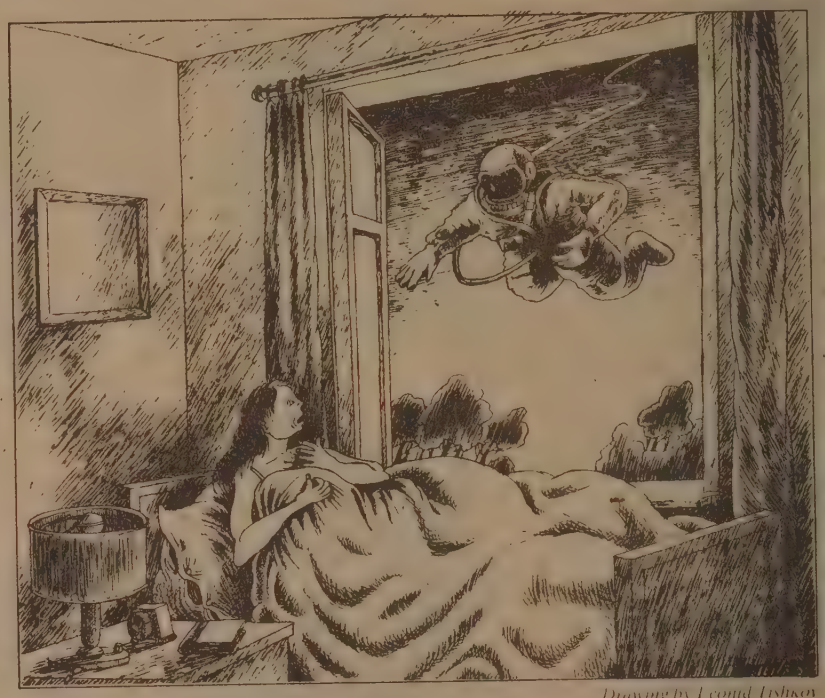
This year the Feigls have founded the "Aid to Khakassia and Tuva" society. Under German laws such a status provides more opportunities for purely financial activity. "We are not at all working for money," the Feigls say. "The first visit to those places struck us so much that we could not remain indifferent."

The governments of the Khakassian and Tuva autonomous republics could hardly find better representatives of their interests in Germany than the Feigls. Their officials showed documents, with appropriate signatures and seals as something natural, not at all extraordinary.

Dorothea and Gerdt-Josef consider it necessary now to demonstrate to the Khakassians and Tuvinians what capitalism means in practice. They dream of setting up a small enterprise in Abakan or Kyzyl, the capitals of Khakassia and Tuva, respectively, to show by its example the way the system, which the people have been scared for so many years, functions.

Sex on a "flying saucer"

Terrestrial women are the Universe's sexiest which explains why UFOs, disguised as firespitting serpents, have been flying in from time immemorial to make them declarations of love...



Drawing by Leonid Tishkov

Alexei Priima

Russian folklore abounds in stories about terrestrial women's amorous affairs with evil spirits. At my private estimate, every sixth fairy tale is about a sex-starved arrival from another world who, for a while at least, becomes quite human in bed.

He can do it, the beast!

The folklorist Sakharov, who had collected two volumes of Russian fairy-tales, wrote the following in 1849: "All of us in Russia know who the fire-spitting serpent is. We all know what he is after – pretty girls; villagers say that if a fire-spitting serpent takes a fancy to a girl, the latter becomes incurable. She gets stuck to the interloper, and no one can do anything about it. The fire-spitting serpent flies around and the fire he spits is inextinguishable."

That was how Sakharov described the flights of unidentified flying objects over Russia.

Alexei Priima – a ufologist, head of the Moscow-based centre for the study of abnormal contact situations. His book *Demons from Paradise* is to be put out soon by the commercial firm Misteria with the society for the study of misteries of Earth being a co-partner. Orders may be sent to the address: 39 9th Parkovaya Str., 105264 Moscow. Telephone: 965-03-75.

And this is how Sakharov describes the transformation of the fire-spitting serpent (or rather an UFO or, more precisely, an UFO operator) into man. "As soon as he goes down the chimney, he emerges in the log cabin as an incredibly handsome young lad, whom a girl cannot help falling in love with." Sakharov's conclusion is as follows: "The rascal sure can cast a spell on a pretty girl by his compliments."

"In a mass of superstitions," another folklorist, Sergei Maksimov, points out, "which do not yield to any influences or suggestions and which get along with Christian beliefs, one stands right out... I mean the old wives' tales about the 'fire-spitting serpent' who comes in the shape of a fantastic monster."

In his book *Evil Spirits, Known and Unknown*, Maksimov goes on to say: "Many women confess to clergymen that their absent, or even late, husbands come to them in the flesh and sleep with them... Quite often, widows and married women alike relate their adventures of this kind in every minute detail. The homes frequented by fire-spitting serpents and the women who have sex with them are often pointed out to students of village life or to those observing it as neighbours."

And here is what another collector of fairy tales, Afanasyev, found out: "Villagers say that a serpent flies across the skies, breathing flame; over the house he knows, he explodes into sparks and, through the chimney, emerges before his chosen girlfriend as an incredibly handsome young man... The women who have had intercourse with serpents bring forth not ordinary children, but wonder-workers and hobgoblins."

Afanasyev is echoed by Minkh: "The fire-spitting serpent spans the sky, and bursts into sparks after midnight over the house where a dead man lies. He turns into the man who is mourned over, says hello to all, and starts talking under his breath, whispering that no one else should know about his apparition."

In his book, Minkh quotes a tale he had recorded in 1865 in the village of Kolena, Saratov Gubernia: "The dead," he points out, "haunt those who miss them." He went on to say that in the village a woman's husband had been recruited into the army, and that he got killed soon. "She started mourning over him, and one night his ghost faced her... He told her he had deserted and warned her against telling anyone about his visit. Early in the morning, the husband left, and the widow discovered, to her surprise, that everything she had treated him to remained untouched. That was amazing because she had seen him eat and drink. His visits did not last long."

The woman felt there was something wrong there, "started to have her doubts about the husband and consulted a pious old spinster." The latter knew how to scare the evil spirit away, and helped the widow to exorcise the devil. The disappearance of the sham husband, Minkh says, was accompanied by all kinds of horrors: "Now the house is cracking as if it is going to fall apart, now a ball of fire hangs over the window. This went on for three nights on end till daybreak."

Hearing things...

The stories about fire-spitting serpents found their reflections not only in works by Russian ethnographers and folklorists, but also in Russian 19th century belles-lettres. In 1847 the poet, Afanasy Fet described in his poem a pretty young widow's rendezvous with a serpent who came from the dark sky in a cloud of stars.

In the manuscript *Daemonitas, incubi et succubi* (the 17th century), Lodovico Maria d'Ameno reminisces; "When I was a professor of Holy Theology in the Holy Cross convent in Pavia, a married and highly moral woman lived there at the time... Her name was Ieronima... Once when she slept with her husband she felt someone kiss her tenderly... She resisted, did not respond to the caress, kept crossing herself and praying to God to help her. The trial lasted for about half an hour, whereafter the tempter left. In the following morning she called on her confessor."

In the evening of the same day, the trial was repeated, d'Ameno went on. On the confessor's advice, experienced exorcists were invited to the house. Their efforts were of no avail, however.

The incubus, invisible at first, began to haunt Ieronima at night "now as a young boy, now as a dwarf with golden wavy hair." In a word, d'Ameno wrote, "he used all the methods of seduction to win her favour."

Ieronima remained adamant.

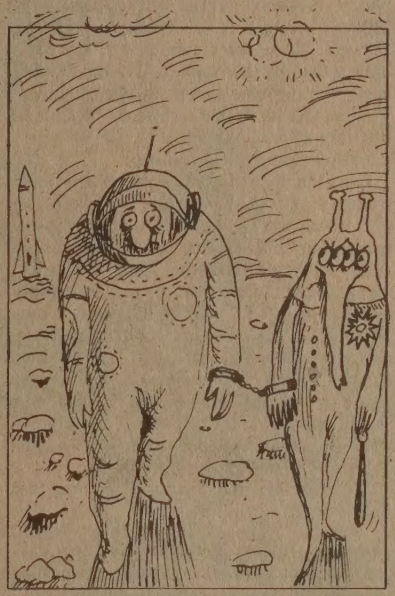
Then the incubus – invisible to all but Ieronima – began to haunt her in the daytime, too. Before numerous amazed witnesses, he snatched the baby out of Ieronima's arms as she was breast-feeding it, smashed plates, and sent clay pots flying around the house.

"One night," the manuscript says, "the incubus vigorously demanded that she should put out. She refused. The infuriated incubus disappeared only to come back a short while later with an enormous burden of flat stones the residents of Genoa and Liguria cover their house roofs with. Out of those stones he built around the bed a wall almost as high as to reach the ceiling."

After sunrise, when the residents of Pavia woke up, they heard heart-rending shrieks uttered by the walled-in couple. People came running in from all sides. The author of the manuscript arrived on the scene, too. "The wall was pulled down," he recorded his observations, "and the stones were piled in a corner for all to see. Two days later they disappeared, however."

Ieronima was lucky – a relatively delicate incubus wooed her. In ancient books and manuscripts one can find eerie tales about women being sadistically raped by demons.

A 17th-century Russian manuscript tells of a Solominia, for instance. Demons started copulating with her, without her permission, within a week of her wedding.



Drawing by Victor Bogorad

"On the ninth day after wedding," the manuscript says, "after sunset, when she was with her husband in the bedroom, she lay down on the bed and was about to doze off, when suddenly Solominia saw a demon with a bestial face and with sharp-clawed paws. The demon lay down beside her on the bed. She was scared stiff. The beast raped her."

"Since that day on," the chronicler goes on, "demons began to call on her regularly... They came in fives and sixes. Some assumed the looks of handsome youths. They, too, attacked and raped her, and then left."

Who was Lomonosov, after all?

May I venture the hypothesis that evil spirits' sex intercourses with earthlings are means of transferring some kind of information, which can come in useful two, three or more generations later.

In this presumption I proceed from the following. First of all, almost no tales about coitions with demons mention children born as a result. Of the 169 stories about intercourses with demons that I know, only 10 tell of resultant pregnancies and childbirths. In all the ten cases, the women gave birth to freaks or, as Afanasyev called them, hobgoblins. The freaks died soon after birth. My guess is that in those ten cases the UFO's programmes of interaction with earthlings went wrong. Those were premature births, so to say. And now I shall proceed to the second argument which is most vulnerable to criticism because of its utter "absurdity."

I wonder how come that men of genius suddenly appeared in rickety log cabins in God-forsaken Russian villages. Their parents and farther removed ancestors were people with a low level of intellect. They ploughed the land, gathered in the crops, drank home-distilled vodka... All of a sudden, a child of genius was born into the family of an ignorant and inarticulate peasant. A Lomonosov, for instance.

Lomonosov is one of the most mysterious figures in Russian history. An outstanding scientist of encyclopaedic knowledge, "the first Russian university" as Alexander Pushkin called him, Lomonosov was born in an out-of-the-way village on the coast of the Arctic Ocean. A fisherman's son accomplished the impossible – he became the greatest scientist of his time...

It was on very rare occasions, of course, that "abnormal" children of genius were born into Russian peasant families. Nevertheless, such children were born all over Russia over the past three centuries, at least... I am inclined to explain this by the "extgraterrestrial sex" phenomenon. What's more, it seems to me that by giving us Lomonosovs, extraterrestrial civilizations kind of spur us up, and promote our progress.

I am personally acquainted with two young men who have come to the capital from Russia's backwoods recently. Both are diabolically talented and amazingly go-getting...

One of them, Victor Ostapenko from Buryatia, told me that a Fire Serpent had visited his great-grandmother in the guise of her late husband. Vicktor had repeatedly heard stories about that from his grandmother who referred to her mother's accounts. Ostapenko even reproduced, by memory, the drawings his grandmother had made on the basis of those accounts. One of them shows an egg-shaped object with three oval spots looking like portholes. It looks as if the great-grandmother had been visited by a classical "flying saucer"...

Prepared for publication by
S.Zigunenko

Russian culture: fallen into poverty

Entrepreneurs throw out a life-line

"I don't intend to interfere in the creative process, but I would never give money until I saw what some or other cultural endeavour would do for our financial group," Tofik Sattarov, one of the heads of the financial group "ExNet", which unites the electronics exchange, an investment company and several firms, admitted. Each day he has to look over proposals from theatres and movie producers, art galleries and directors of symphony orchestras. This is especially true since ExNet was the sponsor of the play *Gamblers-XXI*, based on works by Nikolai Gogol. It was one of the most notable plays of the theatre season. Theatre, movie and variety stars – Sergei Yursky, Gennady Khazanov, Natalya Tenyakova, Alexander Kalyagin, Leonid Filatov and others have received considerable financial support from ExNet, and the businessmen got substantial advertising of their firm, for there was no paper, radio or TV programme which would not give *Gamblers* serious and well-wishing attention.

It should be noted that the Russian entrepreneurs began to support culture here long before they received any significant tax breaks. When the Soviet Union still existed, the parliament adopted a long-debated resolution that companies could only donate 1 percent of their profit – and only that percent would be exempt from taxation – to the development of culture. But until very recently there was the so-called tax on sponsorship: it was necessary to pay the government a 20-percent tax on any donation.

It's amazing that in spite of all the taxes, the influential companies began to support culture. Credobank took upon itself the maintenance of the Russian national symphony orchestra under the direction of Mikhail Pletnev and Roman Viktyuk's Theatre. The motor companies of Povolzhye area subsidize the Samara Drama Theatre and several music groups in that region of Russia. The oil drillers in Siberia, in spite of the very difficult situation of that industry, are also helping out in culture.

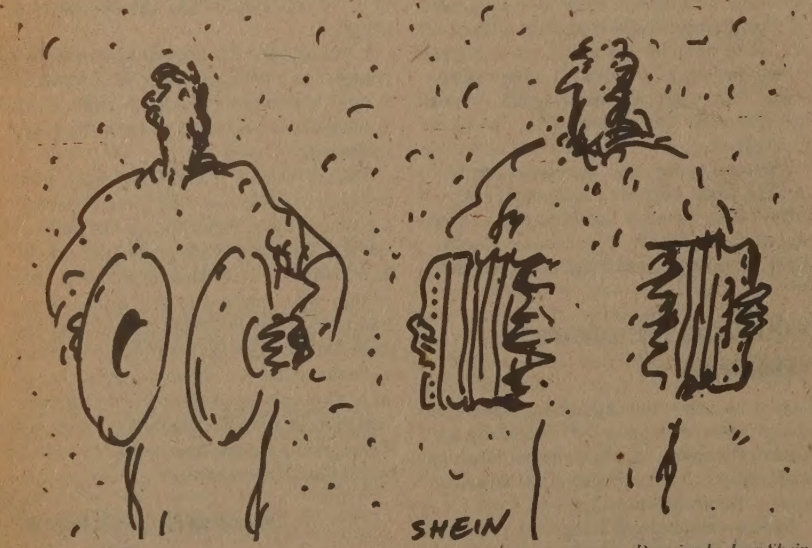
For a long time the totalitarian Soviet state wouldn't permit destroying the myth that only it was capable of evaluating an artist and promoting him. It alone subsidized culture. Alas, this myth has been dissipated today, just as many other myths of the past seventy years. Russian culture has now fallen into poverty – and many outstanding authors, dancers, composers, artists, musicians have left the country. The political instability, the rise in crime and the financial bind turned out to be no less a terrible threat to people in the arts than political and ideological censorship and lack of personal freedom.

Freedom turned out to be a hard trial. Not only spiritually, but even when it came to money. Having lifted the ideological dictate, which somewhat paid off through different privileges given previously those in the arts, the state freed itself form the obligation to support culture in Russia at a befitting level. President Yeltsin said this straight out in his inauguration speech and put a real scare in the intelligentsia in the arts. True, Boris Yeltsin, soon having realized his mistake, more than once tried to demonstrate his benignity to the development of culture in Russia. But there is a catastrophioc lack of money for it. In 1992, the allocations for culture out of the state budget were almost 10 times less than the real demands of the theatres, museums, concert halls, and libraries. People working in this sphere found themselves living below the poverty line – they earn less than teachers and doctors today. Moreover, the budget figures don't always mean anything, the Ministry of Finance often holds back even these meagre sums.

The understanding that the country must live within its means came to the government earlier than the realization of the role of culture in the future of Russia. The decree of the President of the Russian Federation on culture which was to be issued at the end of August 1991, was signed only in the last days of April 1992. It is still unclear how it is to be implemented as well as how the Ministry of Finance will react. But it is already clear that the decree is aimed at the further de-etatization of culture. The significant tax reductions for private enterprises supporting the development of culture should attract entrepreneurs though. Moreover, the President's decree applies mainly to the support of state cultural institutions and echoes those public figures who are against privatization of museums, libraries and theatres. I think that such a tricky balance now during the "wild" transition to a market economy is entirely appropriate and justified. For there is no guarantee with the privatization of cultural institutions, that commercial shops wouldn't be opened in libraries or computers be assembled in museums. But one way or another, the state recognized the right of the private entrepreneur to support culture in our country – and that's a big change in social consciousness and legally. "We see the Ministry of Culture and Travel in the Russian Federation as a coordinator which will unite the efforts of all interested in the development of culture in Russia," said the new minister, Yevgeny Sidorov, at one of his first press conferences. That testifies to the new reality.

"Of course, it's pleasant for any businessman to know that thanks to his firm some play or another was put on, or some orchestra is able to perform. We also like to go to the theatre or a concert. We understand what ideal sphere of life is and that we need culturally educated consumers: the more culture people have the more varied their demands. So, investing money in culture we are creating a more advanced and richer consumer society," Tofik Sattarov and his fellow-businessmen have decided to create an orchestra of experimental music called ExNet. I have quoted the speech he made to the Board of his firm.

Mikhail Shvydkoi



Drawing by Igor Shein

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